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FOREIGN AFFAIRS

JULY/AUGUST 1994
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to undertake the kind of military intervention required to reverse Serbian gains. Lifting the arms embargo on Bosnian Muslims might clear Western consciences, but it will increase casualties without changing the fortunes of either side. Washington must convince its allies to take a long view and prosecute an indefinite cold war against Serbia. Sanctions and isolation, as employed against South Africa and Iraq, will force a regime change in Belgrade, and then an honorable peace.

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The malaise that currently sours public opinion in Europe, Japan and North America is a manifestation of a crisis—not economic or political, but moral. The Gilded Age that accompanied the rise of new nation-states in the late nineteenth century ushered in a similar era of civic discontent. Today, exhausted by the end of the Cold War, people are disillusioned with great projects, skeptical of reform and distrustful of politicians. Populists fuel old resentments and xenophobia as they promise national renewal. This crisis of the democracies could lead to either an era of reform or disintegration. America can help prevent the latter.

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Comments

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"Palestinians care about democracy. They have had bad experiences with authoritarian regimes."

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The Urge for Democracy

William B. Quandt

A Palestinian state is slowly being born. It will not necessarily look like other states. It will probably not be fully independent. And it will only emerge after a carefully controlled transitional period. Nevertheless, the process of state formation has begun, and the Gaza-Jericho agreement is the first step.

Among the many unanswered questions about this state in the making is whether or not it will be democratic. Israelis have shown little interest in this crucial issue. This is a strange posture for citizens of a democracy to adopt, but it stems from Israel's primary concern with its own security and widespread skepticism among Israelis about the possibility of democracy anywhere in the Arab world. Moreover, Israeli leaders have found certain advantages in negotiating with Arab dictators, who are not accountable to the vagaries of public opinion. Egyptian President Anwar al-Sadat probably would not have made his famous journey to Jerusalem in November 1977 if he had been forced to consult the Egyptian public. Negotiations with Syria's Hafez al-Assad or Jordan's King Hussein would not be any easier if democratic governments reigned in either country. In short, few Israelis have concluded that more democracy would cure the confusion that often seems to govern Palestinian politics.

THE CASE FOR DEMOCRACY

Among Palestinians, however, interest in democracy is growing. According to some polls, about three-fourths of Palestinians living in the West Bank and Gaza favor holding elections for a governing authority during the interim period, while only ten percent want the Palestine Liberation Organization (PLO) to appoint the government.

Palestinians care about democracy for several reasons. To put it bluntly, they have had bad experiences with authori-

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tarian Arab regimes. Whether one thinks of Nasser's Egypt, Assad's Syria or Saddam's Iraq, Palestinians have numerous stories of their mistreatment by arbitrary, nondemocratic governments. These memories predispose many Palestinians to think that their own government should avoid the pitfalls of one-man rule.

Palestinians in the West Bank and Gaza have also been influenced by the political life of their closest neighbors, Israel and Jordan. As much as they may abhor Israeli occupation policies, they have seen what a free press can do, witnessed a working parliamentary system, and seen mobilized electorates oust governments that failed to deliver on promises. Palestinians who are citizens of Israel regularly run for election to municipal offices and the Knesset, where they hold several seats. These experiences have been noted by their disenfranchised cousins in the West Bank and Gaza.

In Jordan, Palestinians have seen the flowering of an impressive democratic experiment. Jordanian parliamentary elections have been relatively free, the press debates a wide range of issues, and the king, while retaining immense powers, has ruled in recent years with a comparatively light touch. A surprising number of Palestinians who used to be harsh critics of the Hashemites are now favorably comparing Jordan's emerging political norms with the political chaos that seems to characterize the PLO.

Finally, many Palestinians have been forced to live abroad, often in Western countries, where they have become used to democratic ways. Palestinians educated in the West are often harsh critics of Western policies, but they admire many aspects of democratic political culture.

But it is not just the experiences of others that Palestinians can look to for models of pluralistic politics. Their own nationalist movement, for all its shortcomings, has nonetheless been comparatively tolerant. The PLO has always been an umbrella movement embracing a number of different tendencies, each of which has had some representation in the official bodies of the PLO. Decisions have often involved lengthy debate and compromise, and voting has been a normal part of Palestinian decision-making.

No one would claim that the PLO has been perfectly democratic, but it has been less authoritarian than many nationalist movements. Even within the core Fatah movement, there was a high degree of collective involvement in decisions until recently. After the Israeli assassination of Khalil al-Wazir (Abu Jihad) and the killing of Salah Khalaf (Abu Iyad) by an Abu Nidal terrorist, PLO leader Yasir Arafat became increasingly prone to one-man rule, but previously he had been obliged to listen to the views of the movement's cofounders.

The intifada, or uprising, which began in late 1987, has diminshed the authoritarian tendencies of Palestinian politics. Traditional leadership structures have been rejected by angry, young, highly politicized Palestinians living under occupation. They have acquired the habit of participating in political life, wielding authority, making decisions, and not always deferring to the diktats of the Tunis-based PLO. Even the less politically active parts of the population have usually gone along with strikes and other forms of protest. These Palestinians will be reluctant to

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return to a passive role of complying with PLO demands that are often seen as bureaucratic and remote from the concerns of ordinary Palestinians.

While the intifada leaders could play a part in challenging a monopoly of power by the PLO, they may also bring the habit of using violence to settle accounts into the mainstream of Palestinian politics. It will be a major challenge for any leadership to co-opt and resocialize those who have ruled the street and view all authority and law as illegitimate.

The one area where the PLO has never been accountable or democratic has been in its handling of finances. Arafat's control over the movement came in substantial measure from his control of the purse. No one else knew the full story of the PLO's finances, and no one else could sign the checks. As the Palestinians approach statehood, this pattern will have to change. This results less from Palestinian opposition to taxation without representation than from the international donor community's insistence on no aid without transparency. Needed economic assistance will go hand in hand with the creation of governing institutions that are accountable.

Democracy, however, will not come easily. The main obstacles may well be the unwillingness of the PLO leadership to let go, the indifference of the Israelis, and a similar lack of interest in supporting Palestinian democracy on the part of the United States and other Western nations.

THE CASE AGAINST

The most basic argument against the idea of a democratic Palestine is that it is not a realistic possibility. No established democracy exists in the Arab world, and past experiments with democracy have not gone particularly well. Some conclude from this record that something in Islamic political culture is inimical to democracy. It is often noted that Islamic nations do not make the same differentiation between state and religion, or between public and private spheres of activity, as Western nations do. The notion of popular sovereignty is hard to reconcile with the belief that all behavior should be regulated by the word of God.

This strict and often disparaging interpretation of Arab and Islamic political culture ignores the varieties of Islamic practice. Many Muslims accept ideas derived from the experiences of more secular societies, and many have concluded that a proper interpretation of Islam is compatible with accountable governments, elections, the rule of law, individual rights, tolerance, property rights and other aspects of democracy. Some promising beginnings of democratization can be seen in various parts of the Arab and Islamic world. In this light, it seems wrong to conclude that Palestinian democracy is impossible.

The other argument against a Palestinian democracy accepts that it may well be achievable, but not yet. This view is held by those who believe that democracy requires a fairly large middle class, high levels of literacy and an expanding economy. In such conditions, social conflicts can be accommodated through compromise, winner-take-all outcomes can be avoided, and many people have a vested interest in order and predictability.

Palestinian society has some but not all of the characteristics that seem to go with democracy. There are no ethnic divisions

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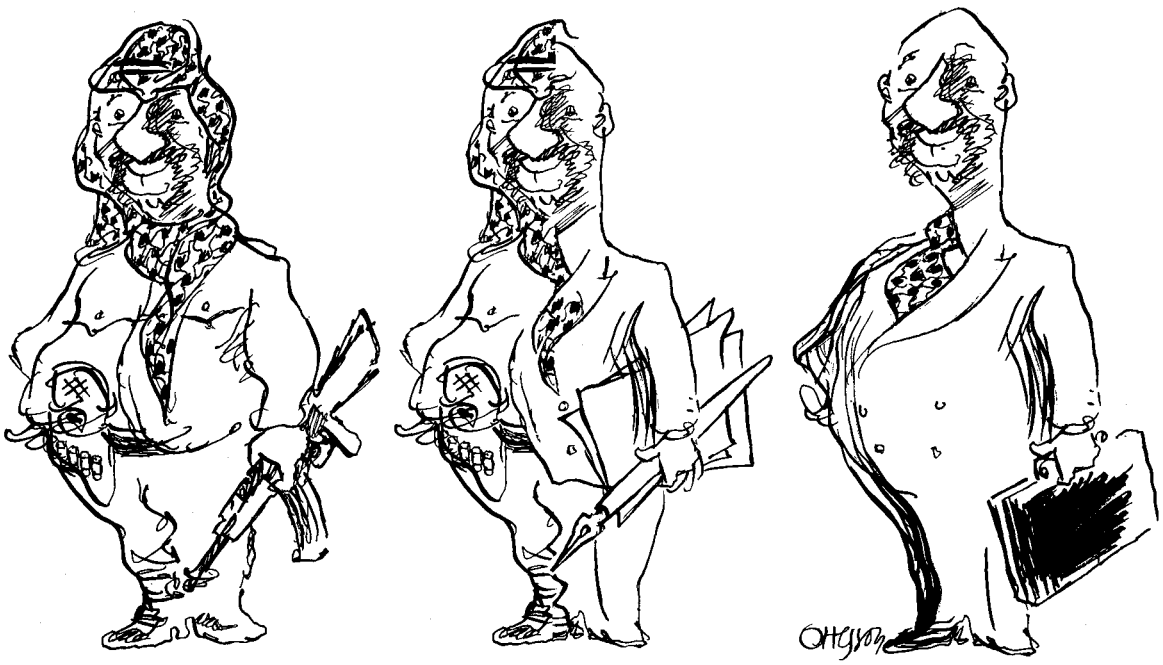

in Palestinian society, and the Christian minority generally lives easily with the Muslim majority. Palestinians thus enjoy an unusual degree of social cohesion and homogeneity compared with most Middle Eastern societies. Palestinians are highly educated and enjoy a living standard, even under occupation, comparable to other developing countries. But there are also enormous disparities of wealth. Refugees live in miserable conditions, while other Palestinians live quite well. Much will depend on whether sustainable economic development can take place so that more Palestinians can enjoy an economic level commensurate with their educational levels.

WHY ELECTIONS MATTER

Democracy is not a panacea for the problems that confront the Palestinians. It will not ensure that good leaders are chosen. But it can help avert the problems of chronically bad government—a widespread phenomenon in the Middle East. The root assumption of democracy, after all, is that people do know when they are being badly ruled and will, given the chance, use the ballot to get rid of corrupt and ineffective leaders. This is why elections matter in an institutionalized democracy. If officials know that they must periodically submit to an election, chances are they will govern with some notion of the public interest in mind. Thus, dictatorship and incompetence will eventually result in public alienation and, if free elections are held, new leaders.

In the case of Algeria, where elections in December 1991 nearly brought the militant Islamic Salvation Front (FIS) to power in early 1992, the argument against military intervention would have been convincing if the FIS had credibly promised elections within a fixed number of years. If the FIS were as bad or incompetent as its critics maintained, it would

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have been voted out of power. Algerian political culture might have been well served by allowing a populist opposition movement to try its hand at governing. Alternatively, the FIS might have done a reasonably good job of running the country, in which case it would deserve to be reelected. The problem was that the FIS was ambivalent about the entire concept of democracy and elections, and there was good reason to believe that the only free election ever held would be the one that brought the FIS to power.

The analogy in the Palestinian case would be that Hamas or other radical Palestinian groups might do well in elections. Hamas' democratic credentials are certainly in doubt, but so are those of all the other groups.

What seems important in the Palestinian case is to begin an electoral process that allows for widespread representation, not a winner-take-all system. One would hope that the requirements of managing the transition to independence, the interaction with the international community and pressure from grass-roots organizations would oblige Palestinians to acquire the habits of democratic self-government. After all, democratic norms take root over time as people experience the rules of democracy and see in practice why it is the least bad of all political systems. Democrats are not born; they come by their beliefs through education and practice.

Of course, any democratic experiment can be aborted. The peace process could stagnate, the Likud Party could return to power, democratization in Jordan could fail, or the economy could worsen. Any of these conditions would threaten Palestinian democracy. But they are not inevitable, and they are not reasons to avoid the experience in the first place.

DEMOCRACY AND PEACE

The United States, which has taken a hands-off attitude toward the implementation of the Israeli-PLO agreement, is in a position to lend its weight to the democrats in Palestine. To do so, it needs to use its influence with Israel, Western countries and potential donors to link future economic and diplomatic assistance to Palestinian democratization.

Moreover, the United States should take a more aggressive position promoting Palestinian democracy. At some point, perhaps, in the aftermath of Palestinian elections for a self-governing council, the Clinton administration should find a way to link future support for Palestinian statehood to further steps toward democracy and region-wide peace. For example, the administration could say that its support for eventual Palestinian statehood would be commensurate with the Palestinian commitment to democracy. This could give a substantial boost to Palestinians who aspire to independence, especially those who support the peace process and democracy.

Why should the United States adopt such a position? America has repeatedly said that it supports the development of democracy anywhere in the world, but successive administrations have been remarkably shy about pushing this notion in the Middle East. This stance has led many in the Arab world, especially opposition movements, to complain that the United States has a double standard. In the case of the Palestini-

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ans, the United States could support a principle of great importance—democratic governance—and make a contribution to the long-standing goal of Arab-Israeli peace at the same time.

A Palestinian democracy would almost certainly be a better neighbor for Jordan and Israel than a Palestinian dictatorship. A Palestinian democracy would fit more readily into arrangements for regional cooperation and development and have less need for a large armed force. Most important, any agreement it makes with Israel would have greater legitimacy in the eyes of the Palestinian people.

Israeli opposition to the idea of conditional American support for Palestinian statehood could be expected, but many Israelis would appreciate the effort to encourage democracy among their neighbors. The United States would still support Israel on security arrangements to ensure that a future Palestinian state does not become a threat. In time, many Israelis might come to support the concept of a democratic Palestinian state living at peace with Israel.

The United States recognized the PLO only after the Israelis had already done so. The American interest in encouraging Palestinian democracy, and Israel's seeming indifference, suggest that Washington should now take the lead.

The message for Palestinians in all this could be decisive. At the moment, there is a cloud over the Israeli-Palestinian negotiations because no one is sure how final-status issues will be resolved. Palestinians are being given a long list of things they are unlikely to attain, and their power position means they will be unable to impose their preferences. If the final status of the West Bank and Gaza seems barely preferable to continued occupation, the hard-liners who argue for continued struggle will likely prevail over the PLO mainstream. The one thing most Palestinians in the occupied territories do seem to want is independence and democracy; American support on these key principles would strengthen the hand of those who best understand that they will have to compromise on the tough issues of demilitarization, Jerusalem and borders if they are to achieve their goals.

By supporting Palestinian democracy, the United States would not be ruling out Palestinian-Jordanian arrangements for confederation or federation, or even more far-reaching regional patterns of cooperation, trade and development. In fact, announcing support for Palestinian democracy now, and conditionally supporting statehood in the future, could be part of an initiative to encourage a zone of "peace, development and democracy" that could encompass Israel, Lebanon, Jordan, Palestine, Egypt, Turkey and perhaps eventually Syria.

While ambitious and even visionary, these are worthy goals for American diplomacy in a region where substantial American resources can be brought to bear to influence events. By embracing Palestinian democracy, the Clinton administration would be making a major contribution to peace in the Middle East and thereby to American national interests. It would also be upholding a principle that is supposed to be central to American foreign policy, but has been notably missing from our discourse on the Middle East.

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Arafat's Police State

Amos Perlmutter

The projected Gaza-Jericho autonomy is only the beginning of the road for the Palestinians, not an end in itself. Amid the increased Israeli-Palestinian violence and the obstacles remaining after Israel withdraws from Gaza and the West Bank town of Jericho, a Palestinian state is being created. The symbols and trappings and the political and economic arrangements could loosely identify Gaza as the first Palestinian state, as soon as Palestine Liberation Organization (PLO) leader Yasir Arafat establishes his administration in Jericho, a task that could be accomplished by early this summer.

The immediate question that arises, then, is what will be the nature of a future Palestinian state. Will it be democratic, pluralistic, secular and stable, or yet another version of Arab regimes and states that have characterized and dominated the region for the past six or seven decades?

Regrettably, a Palestinian state ruled by Arafat and his PLO cronies will likely be authoritarian, noninclusive and undemocratic. Such a state will be controlled by Arafat's security services, which will do all that is necessary to keep themselves in power. This scenario will no doubt cheer Israeli settlers and Palestinian radicals who have vehemently and violently opposed the Israeli-PLO agreement. But it does not augur well for political pluralism, participation and, above all, institutionalization—that is, the creation of a democratic and stable Palestinian state.

A MODEL FOR TROUBLE

Palestine is on the road to becoming what Samuel Huntington has defined as a praetorian state. Such states have a low level of political institutionalization and a fractured political structure in a unstable political climate. They are not necessarily military-dominated but are rigid, top-heavy and lack a viable middle class. For such states, political stability and a democratic or even pluralistic regime are unachievable.

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Gaza and to a lesser extent the West Bank have no political competition and no administrative structure to satisfy the pent-up political demands of a population that has lived under Egyptian, Jordanian or Israeli occupation since 1948. Social classes are fragmented and incapable of unified political action other than resistance, violence, defiance and terrorism.

Unfortunately, the only cohesive political force in Gaza is the anti-secular, radical Muslim Hamas movement. The only effectively organized political party is a small communist party. Professional associations of engineers, lawyers, doctors, journalists and academics provide only a skeleton crew for the creation or development of complex, cohesive and competitive political parties.

For a stable, Western-style democratic regime to succeed, a broad and cohesive middle class with the capacity for political mobilization is needed. Neither Gaza nor the West Bank meet this condition. The West Bank has a small, articulate and vocal middle class, but it remains essentially a traditional society, which is one reason the fundamentalists there have had such success. In Gaza, this low level of institutionalization is understandable, given the long history of occupation, but makes the prospects for stability and democracy less promising.

ARAFAT'S SOLDIERS

When Arafat and the PLO move into their new capital in Jericho, marking the first phase of Palestinian autonomy, it will be a sharp contrast for them, transplanted from the Mediterranean city of Tunis to this dusty city, a wretched village in the Judaean desert that has remained undeveloped since 1949, when the Jordanians occupied the West Bank and set it up as a refugee camp among the archeological digs of the walls of Jericho. The bleak setting is an apt metaphor for Arafat's prospects in taking over the rule of Jericho, Gaza and Khan Yunis, the three municipalities that make up the autonomy.

Since signing the Oslo accords on September 13, 1993, Arafat and the PLO have done little to show that they are ready to rule or have the desire to engage in electoral politics. Rather, the PLO remains what it has always been—a loosely constructed terrorist-guerrilla-propaganda structure whose cohesiveness is based on loyalty to the man at the top. Arafat clings to this preference for a secretive government that depends on loyalty to his person and leadership.

Like their leader, the PLO officials are old-time revolutionaries and functionaries from Tunis. Three Arafat loyalists are set to administer Gaza, Jericho and Khan Yunis, but Arafat has appointed more officials to cover the same positions, thus enabling him to arbitrate competing interests. Furthermore, Arafat will have to deal with thousands of intifada veterans after their release by Israeli authorities. These are embittered and proud men who feel they created the conditions for autonomy and independence and whose loyalty to Arafat and the PLO diaspora is open to question.

Nevertheless, 9,000 former soldiers of the PLO army, or about three divisions, most of them undistinguished fighters who survived the debacle of the PLO's ouster from Lebanon in 1982, form the foundation of Arafat's police organization. They arrived with their families, all

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strangers to the area, to join the local PLO-Fatah contingents of intifada fighters. Because they have the onerous duty of collaborating with the Israeli police during the interim period, they will probably be seen as traitors.

In the projected triangular political struggle among Arafat's Tunis-based PLO, the radicals of the intifada in Gaza and the West Bank and the Hamas movement, Arafat will have to rely heavily on his security services, *Mukhabarat*, the old terrorist machine that has protected him from the Israelis, dissident Palestinians and Arab foes for so long. As a result, the police will have some military functions, while the security services, rather than the political parties, human rights organizations or other institutions, will become the foundation of Arafat's political power and administrative domination.

In the name of defending Arafat and his Tunis lieutenants, the security services will come into open and no doubt deadly confrontation with the quasi-military Hamas, which dominates the streets of Gaza. Although Arafat may claim that the creation of such a strong police and security organization is a necessary emergency action, in reality it is the first step in maintaining political control. This is nothing new for the region—Syria and Iraq depend entirely on their vast and complex security services, as opposed to a pluralistic electorate and political parties, to maintain power. The Baath party is an army-party, and Arafat will, in accordance with Israeli demands, run Gaza-Jericho with the PLO security services. Such a scenario amounts to a makeshift police state.

THE CLEAR AND PRESENT DANGER

Ideologically, the PLO is secular, yet Arafat will have to contend with and accommodate powerful traditional forces. The case of Hebron is instructive. The mountain of Hebron was never a nationalist fortress in Palestinian politics. It is tribal, traditional and Islamic in its political behavior. The PLO activists in Hebron are splintered with internecine rivalries. There is no leading PLO figure unless Arafat imposes one from above.

Most intifada supporters were not part of the Israeli-PLO negotiations and view the Oslo accords as a document of surrender to Israel dictated by the Israeli Defense Forces. Hamas became an important political movement in 1987 during the early days of the intifada. Since then Hamas has won nearly 40 percent of the votes of those in professional associations, university groups and other institutions in the West Bank and Gaza. It is a potent force that includes both radical Muslims and secular radical Arabs.

The danger can be seen in the streets of Gaza. The intifada has created a generation of young people full of hostility, anger and despair and without respect for authority. To these young people, all forms of authority are inherently foreign, not to be trusted but to be fought and resisted. They would view with contempt whatever authorities emerge from the Tunis-based PLO, whose leaders are strangers to the land and many of whom have never lived in Gaza or the West Bank.

While thousands of youths resent the authoritarian Tunis-based PLO, the intellectual Arab leaders have thrown in the towel. Sari Nusseibah, a philosophy professor at Birzeit University, has left. There

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is no significant role in Arafat's executive committee for Faisal al-Husseini, the acknowledged leader of the moderate nationalists of the West Bank and Jerusalem and a potential rival, except to use him for his own purpose. Hanan Ashrawi, the English-speaking voice of the Palestinian delegation at the peace talks, has formed a human rights group to monitor the new self-government. On the whole, the Palestinian intellectuals are a disgruntled and despairing lot.

The Palestinian intellectuals who remain in several West Bank-Gaza universities have organized pro-democracy rallies and groups, but there are no center-moderate, middle-class political parties and organizations to mobilize them, leaving the field to the small, well-organized communist party and the forces of Hamas. The professional associations have not managed to create political organizations that could build a working democracy, parliamentary procedures or effective institutions that could make Gaza-Jericho and later an independent Palestinian state more than yet another authoritarian, inefficient, corrupt, praetorian Arab state—something the Middle East already has a surfeit of.

Gaza is a no-man's-land, rife with violence and the potential for disastrous misrule. This area has endured years of strikes and curfews. Unemployment runs close to 50 percent, a figure destined to rise if Palestinians are not allowed to work in Israel after the autonomy administration is established.

The ultraviolent Hamas will further disrupt prospects for peace and stability. The movement will openly, energetically and sometimes violently challenge Arafat's rule.

Given the task ahead, the apparent lack of preparation by the new rulers is surprising. Jericho has no political, administrative or physical infrastructure. The Israeli civil administration has yet to be replaced. Arafat was reluctant to name individuals to administrative positions, knowing it would probably intensify the struggle among intifada veterans, the PLO and Hamas.

The economic picture is just as bleak. The 100,000 or so employees licensed to work in Israel will return only in small numbers, and not for a while. Israel is already importing foreign workers from Asia and the Balkans. Arafat has yet to establish a financial and administrative body to deal with international donors and their contributions. In short, with no PLO-Palestinian central authority, Arafat and his Tunis-based PLO executives are woefully unprepared for the task at hand in both practical and psychological terms.

A stable and democratic Palestinian state in Gaza and the West Bank is an absolute must to guarantee peace and stability in the area. An authoritarian, antidemocratic, violence-riddled Gaza—the hope of Israeli militants—is a prospect fraught with danger for all parties. Yet events show that the hope that Palestine will be progressive is as misplaced as the predictions 40 years ago that the Arab military regimes—the Nasserites in Egypt and the Baathists in Syria and Iraq—would eventually be dominated by a cohesive middle class and competitive political parties.

Gaza will likely join the ranks of other secular-praetorian Arab states that are continuously losing support to more aggressive and traditional radical forces. True democratic elections in Gaza will only bring the Islamic fundamentalists to power.

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Sidestepping Dependency

Shlomo Avineri

In the complex transfer of power between Israel and the Palestine Liberation Organization (PLO), the world's focus has been on the difficult, often violent issues of security that surround the creation of limited Palestinian autonomy in Gaza and Jericho. In this atmosphere, the economic agreement signed by the two parties in Paris on April 29, 1994, was hardly noticed. Amid the humdrum details, however, a conventional wisdom came to be shared by participants and observers alike—that a high degree of economic cooperation between Israel and the evolving Palestinian entity was a panacea for the region's problems. Close cooperation between Israel and the nascent Palestinian economy has been universally heralded as a harbinger of a wider regional structure of economic cooperation, if not integration. The European Community is the model.

Like all conventional wisdom, however, this hypothesis should be tested, and the analogy with the European Community should be looked at more carefully. Even a superficial glance at the main ingredients of such a vision raises doubts about its applicability.

A COMMON MARKET

A Middle Eastern common market was a concept often used by the discussants during the Paris talks. It was premised on what appeared to be the obvious: shared economic interests, a high degree of cooperation and mutual interdependence, and a desire to raise living standards, especially among the Palestinians—all of which were viewed, almost without demurral, as the best guarantees of stability and peace in the area. Did not the French and Germans bury the hatchet, overcome generations of strife and build, on a foundation of coal and steel, a durable peace in Europe? If so, why not Jews and Arabs?

In its most poetic, if not utopian, ver-

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sion, this vision of a future Golden Age, based on Arab and Jewish ingenuity, has been voiced by Israeli Foreign Minister Shimon Peres. Urbane, tolerant, forward-looking, steeped in the best traditions of the Enlightenment, Peres is one of the more attractive symbols of the new spirit of conciliation and the most successful salesman of the Oslo accords in Israel and abroad. Since Israeli Prime Minister Yitzhak Rabin and PLO leader Yasir Arafat signed the limited autonomy agreement in Washington, D.C., on September 13, 1993, dozens of conferences on economic cooperation have been held, some academically serious, others more oriented toward commercial hype. All, however, assume that close Israeli-Palestinian economic cooperation is the key to regional stability and to anchoring the Israeli-PLO accord in the realities of what the Marxists once called "economic infrastructures."

AN UNEQUAL PARTNERSHIP

European economic integration started with economies that were at a comparable stage of industrial and technological development and enjoyed similar political institutions and traditions. Their economic histories had followed similar lines since the beginning of the Industrial Revolution two centuries before. Only after the formation of this nucleus could the European Community broaden to include less-developed countries like Spain, Portugal and Greece, and this expansion was possible only at a cost of enormous subsidies and transfer payments to the weaker countries, which will continue for years to come.

By contrast, Israel and the Palestinian territories are at very different stages of economic development. Palestinian GNP per capita is a fraction of Israel's; wages, land prices and living standards are enormously disparate. Infrastructure, especially in Gaza, is virtually nonexistent. Political traditions and institutions, as well as the nature of public discourse, are as divergent as those of France and Algeria.

Moving toward uncontrolled economic integration between Israel's relatively developed economy and the Third World economy of Gaza and the West Bank would mean creating a new mode of dependency. It would be an unequal partnership, providing Israeli employers with cheap, nonunion Palestinian labor and a market for Israeli products. The uneven and unequal relationship that has developed during 26 years of Israeli occupation would be perpetuated. A virtual Bantustan would develop on Israel's doorstep. Although it might benefit some Israeli industries and businessmen, it would be detrimental to both the development of the Israeli and Palestinian economies and the quality of the overall Israeli-Palestinian relationship.

Economic dependency has political consequences. Unbridled Israeli economic hype about an "economy of peace" has already made thoughtful Palestinians wary. Given their suspicion of Israel, they see their former occupiers plotting to perpetuate economic control after withdrawal. Even if these suspicions are unfounded, dark hints about Israeli economic neocolonialism can be discerned in Palestinian political discourse, and they certainly do not contribute to confidence-building or a new edifice of trust. Nothing similar has characterized the development of the European Community.

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AN ARABESQUE ECONOMY

The best route to a new chapter in Israeli-Palestinian relations would allow the painful process of Palestinian nation-building to proceed with a minimal Israeli presence.

The Palestinians should be empowered to develop their economy and society with as few links to Israel as possible. Beyond the security arrangements now being negotiated between Israel and the PLO (complex and fraught with risks of misunderstanding and tension), Israel should keep a low profile in the West Bank and Gaza even during the envisaged period of transition.

The Palestinians need large sums in investments and loans to develop their economy. But these should not come from Israel. Nor should they come primarily from the United States or Europe; this would create dependencies and, given the historical Arab resentment of the West, increase friction.

The sums recently allocated by the World Bank to the Palestinian authorities are certainly welcome as important bridge money. The problem is, international agencies tend to be cumbersome in their bureaucratic procedures, and in the natural confusion of the first months of autonomy, it is doubtful whether the yet not fully operating Palestinian institutions would be able to live up to such stringent conditions. Nor should the Palestinians become the wards of the World Bank or any other well-meaning world institution. What they need is quick, readily available money that can be used immediately, so that the change on the ground, and clear economic possibilities, should be discernible.

Palestinian development and reconstruction should be a joint Arab project, symbolizing Arab solidarity with the Palestinians in their historic hour of hope. Saudi Arabia, Kuwait and other gulf states, which have supported the Palestinians for decades in their terrorism and effort to gain world sympathy, should now support the PLO in its peaceful effort.

These Arab investments should help create a Palestinian infrastructure, build housing, repatriate refugees and unleash the enormous energy needed for Palestinian nation-building under conditions of peace. Economic assistance from the Saudis, for example, would send a more forceful message of their support for the peace process than verbal statements. Assistance would mobilize Arab public support for the Israeli-Palestinian accord and legitimize the process as an overall Arab effort, not a mere political calculation on the part of Yasir Arafat and his faction of the PLO.

There is much opposition, both within the Palestinian community and in the Arab world, to the Israeli-PLO accords. Both sides have made far-reaching concessions, but it is natural that Arab radicals see only the concessions made by the PLO. Massive economic assistance from rich Arab countries will send a clear signal to those opposing the accords and to the many Palestinians who are skeptical about it that the change is genuine. By alleviating economic hardship in Gaza and Jericho such Arab investments and assistance will clearly suggest that something significant is happening, that the accords are not a political sellout by Arafat, and that the Israeli presence is truly being dismantled. Israeli economic presence in the territories,

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on the other hand, will only play into the hands of those who see dark Israeli intentions anywhere and everywhere.

A few years down the road, assuming the Palestinians have been able to create a more viable economy, economic cooperation with Israel could take place if the Palestinians desire it. Then there will be less inequality, more Palestinian self-assurance and less danger of dependency. Creating jobs for Palestinians in the West Bank and Gaza will also make fewer Palestinians dependent on manual work in Israel, decreasing friction, social inequalities and the kind of vulnerability to which Palestinians are currently exposed when Israel deems it advisable, for understandable reasons of security, to close off the territories.

UNCOUPLING NOW, JOINING LATER

Good fences make good neighbors. Israeli and Palestinian societies, thrown together through enmity, occupation and dependency based on economic inequality, should be uncoupled.

Both Jews and Palestinians have been traumatized by what Prime Minister Rabin referred to at the Washington ceremony as a "hundred years war." Let the healing begin by keeping the two entities as much apart as possible, politically and economically. Only when both peoples feel sufficiently self-confident and secure should they carefully start building economic bridges between their societies based on equality, not dependency with the danger of a new hegemony. In the meantime, the Palestinians should be allowed to rebuild their own house and find their place in the sun with no Israeli presence or patronage.

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Negotiating with the Chinese

Or How Not to Kowtow

Franklin L. Lavin

If international trade is such an undisputed good, why are there so many disputes in international trade? Nowhere is this paradox more acute than with China. Every encounter between U.S. and Chinese negotiators has been characterized by unpleasantness and friction. A few years of negotiations between the United States and Mexico resolved a gamut of trade issues and led to a free-trade accord. During the same period, the Chinese agreed to only modest liberalizing steps, and only after the United States raised the specter of massive trade retaliation.

The United States and China have had substantial trade relations only for about a decade. But already a sharp pattern has emerged. America's 1993 trade deficit with China—$23 billion—was its second largest, right after its deficit with Japan. China's $32 billion worth of exports to the United States constitutes more than one-fourth of China's total trade. U.S. exports to China, however, totaled only $9 billion and made up less than two percent of all U.S. exports. A bilateral deficit may be the result of many factors, but even so, the U.S. import-export ratio with China is the worst of all its major trading partners. It is thus hard to avoid the impression that the Chinese market remains essentially closed to the United States while the American market is essentially open to China.

This wave of Chinese imports has emboldened affected American industries, such as textile and apparel. American labor unions and other groups have issued protectionist calls to stem the tide. Alongside China's reduced appeal as a strategic asset with the end of the Cold War and its elevated profile as a target for human rights criticism after the Tiananmen Square massacre, the general trade imbalance also incites annual congressional demands to eliminate China's most-favored-nation trade status and even to impose sanctions on Beijing.

In such a laden atmosphere, the

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hurdles to doing business with China loom all the larger. Washington policymakers and American businesses have much to learn in negotiating trade and other issues with the Chinese. Especially in dealing with China, political cultures and political systems matter. They shape expectations, the interests of negotiators and the desirability of outcomes. A careful review of prior trade negotiations with the Chinese should help explain not only the persistence of the trade imbalance and China's barriers to U.S. businesses, but also the broader difficulty of dealing with a political culture that often works from an entirely different set of assumptions.[1]

THROUGH THE LOOKING GLASS

In negotiations, participants are expected to rationally pursue their interests. But interests can be bureaucratic or personal as well as national. In China's closed political system, no official depends on popular reelection as the reward for pursuing sound policies, so little incentive exists to risk even prudent policy changes. An overwhelming institutional bias exists in favor of the status quo.

China views trade from a starkly different perspective than does the United States, regarding it from an essentially neomercantilist point of view. Trade negotiations are perceived as a zero-sum game: any benefit to the United States can only come at China's expense. By contrast, the United States has a neoclassical perspective, which regards trade liberalization as essentially beneficial to any country. Free trade is seen as a way of helping China advance its overall economic interests at the expense of parochial concerns. U.S. negotiators approach trade talks much like union-management bargaining: all parties will come out ahead if they are not too greedy. They evaluate Chinese positions against international norms, the goal being to move China toward a rational, codified system of behavior. A Chinese negotiator, however, comes from a completely different perspective. He will evaluate U.S. suggestions from a more practical and personal point of view: How does this idea affect me and my ministry?

For example, in one morning session of the 1991 market access talks, the U.S. delegation heard four Chinese ministries give four completely contradictory arguments as to why they could not liberalize. The agricultural sector could not be opened because it employed too many people; the computer industry because it employed too few. Consumer appliances could not be opened because they were low-tech; electronics because they were high-tech. The Chinese were surprisingly unabashed about employing eco-

[1] While at the Commerce Department, I participated in three sets of negotiations with the Chinese. Intellectual property rights talks were prompted in 1991 by China's failure to protect products such as trademarks, sound recordings and computer software. Market access talks in 1991 dealt with structural trade barriers, the overlapping system of tariffs, quotas and licensing requirements that made the Chinese market almost impenetrable. The Joint Commission on Commerce and Trade was a bilateral consultative mechanism that attempted to review business disputes and improve the business environment in China.

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nomic sophistry. But that tendency reflected bureaucratic self-interest more than economic ignorance. All four of these industries are run by central government ministries in Beijing. Opening markets to foreign steel, say, could throw hundreds of thousands of Chinese out of work. While an American business executive might receive a bonus for making his or her work force more efficient, a Chinese minister could be sacked.[2]

From the start of the negotiations profoundly divergent interests exist, or at least the perception of divergent interests. The U.S. side thinks it is acting in support of China's long-term economic interests. But to the Chinese, requests for market openings sound more like, "We would like to flood your markets with cheaper or higher-quality imports, drive millions of people out of work, close down entire cities and force several ministers and members of the central committee to resign." Obviously, this is not an appealing proposition. Thus, in addition to negotiations being fraught with political implications for the Chinese, American proposals may often sound strikingly and inherently unattractive.

The idea of any foreign country making demands on China to reform its trading system is unappealing. In the market access talks, American negotiators tried to emphasize that because U.S. trade policies were not necessarily reciprocated, solutions to fixing trade problems should not necessarily be reciprocal—an idea the Chinese found difficult to accept. If they "gave up" something, they expected the United States to give up something in return. The United States, however, insisted that it had opened its markets substantially over the preceding years and was now simply seeking equal access.

Another peculiarity of the Chinese approach is the largely political way of dealing with complaints. Any complaint the United States made against China was subsequently made against the United States. Given the volume and complexity of international trade, some sort of problem always existed for the Chinese to point to. But they made no attempt to assess the merits of individual complaints and simply resorted to a robust eye-for-an-eye approach that often operated independently of the facts.

The Chinese ultimately approach trade talks as if they were a political rather than an intellectual debate, the aim being to win the audience, not the argument. Thus the U.S. negotiating team was composed of trade experts, lawyers and economists, while the Chinese side was made up of politicians and historians. The Americans were there to solve problems; the Chinese to state at every turn that their point of view was correct and justified because of China's historical circumstances or current conditions. And because China is drenched in history, at least one historical point

[2] The overall dichotomy of approaches to negotiations frequently surfaces in routine business discussions with Chinese officials. American businesses typically approach a project from the criteria of acceptability: Does it conform to China's legal system, tax provisions and labor regulations? The Chinese, on the other hand, typically approach a project from the criteria of desirability: What benefits does it bring us in terms of increased investment, foreign exchange, employment or technology transfer?

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could be found to bolster any argument.

In the end, the Chinese goal was to blur the political and philosophical distinctions between the U.S. trading system, which is largely open with some flaws, and the Chinese system, which is essentially a collection of flaws with one or two openings.[3] Talks sometimes took on the air of theater in which the Chinese lines were all scripted. The Chinese were not actually negotiating anything, at least not as Americans understand the term.

KNOWLEDGE IS NOT POWER

In negotiations with the Chinese, even the best of strategies is likely to produce progress only at the margins, and even that after much unhappiness on both sides. Given the depth of Chinese sensitivities and institutional prejudices, in the 1991 market access negotiations, American trade officials crafted a two-pronged approach that offered a package of reforms that could be regarded as good for both sides and also threatened credible trade sanctions if the Chinese were not forthcoming.

The U.S. team tried to shape a convergence of interests by explaining the benefits China would receive from a more open trading system. It attempted to minimize the dislocation of Chinese workers by offering phased-in reforms for specific sectors. It also made symbolic concessions to provide the illusion of reciprocity, so that the Chinese negotiators could sell the agreement within their government.

The American delegation was well-versed in all the facts of U.S. trade policy, international regulations and the history of U.S.-China commercial relations. It patiently and politely attempted to disabuse the Chinese of any mischaracterizations in order to set the record straight, in the belief that an allegation not rebutted is an allegation that sticks. For example, when the Chinese tried to defend a particularly high tariff by finding the three countries whose tariffs on that item were even higher, the U.S. team would then compare it to the tariffs in all major trading countries to show that China's tariff was not the best of four, but in fact the fourth worst in the world.

None of the U.S. arguments ever "worked." The Chinese never conceded one point in the debate. No U.S. statistic, no citation of international law, no familiarity with international trade or commercial practice mattered in the end. Knowledge was not power. Even if U.S. arguments worked as exercises of logic, they could not work as exercises of negotiation. Even if the entire Chinese delegation agreed, it would not have affected the outcome. In the Chinese system, no official can go to his superior and argue that China should adopt the American view because China was "wrong" and the United States was "right."

The Chinese strategy was to dispute everything and wait until the last minute to make even the smallest concessions. Along the way, the Chinese negotiators

[3] Some U.S. negotiators saw parallels with the Soviet Union's approach to human rights. The Soviets would routinely find some transgression in the West, particularly in the United States, and advance the moral equivalency argument that all countries have human rights problems. Finally, the Soviets would turn on their previous statement and deny that they had any problem at all.

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ARCADIO, COSTA RICA, CARTOONISTS & WRITERS SYNDICATE

offered a series of empty concessions. For example, they offered to drastically reduce import barriers to black and white television sets. The significance of the concession fades, however, once one realizes that there are no longer any U.S. manufacturers of black-and-white television sets. While it tests the patience of American negotiators and often appears hostile or self-defeating, this kind of probing to the Chinese was the rational pursuit of their interests. It was intended to find the absolute minimum that the United States would accept.

The Chinese negotiator's job was not to evaluate the merits of a particular position and work out solutions. His job was to say no for as long as possible. Negotiations to the Chinese are a calculation of interest and power, and they can only progress once your partner moves beyond mere talk. In the end, what mattered far more than logic, facts or force of argument was that, as the negotiations had begun, the U.S. delegation placed the "loaded gun" of trade retaliation on the table and pointed to it occasionally.

THE VIRTUES OF ARTILLERY

Trade retaliation was employed in both the intellectual property rights and market access negotiations. U.S. law allowed Washington to investigate areas of purported unfair trade, attempt to resolve the unfairness and, failing to do so, impose punitive tariffs on

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goods from the country in question.

The Chinese were apoplectic with the prospect, and the stridency of their response—"You cannot threaten us. This will hurt you more than it will hurt us. We have lived without trade with the United States for five thousand years, and we will do so for five thousand more, etc."—demonstrated that the U.S. delegation had chosen the right weapon. Clearly, the Chinese were unhappy. But the prospect of sanctions worked, and the Chinese response—that they would not give in to bullying—was, of course, most strenuously voiced just before they gave in.

The American threat worked for a number of reasons. First, the U.S. sanctions were as focused as possible, and the punishment was of the same magnitude as the crime. American businesses were being deprived of sales on the order of several billions of dollars, so the proposed sanctions were designed to diminish Chinese exports by the same amount. The punishment was equal to the crime: trade sanctions for trade problems. The U.S. approach was as nonintrusive as possible and designed merely to deal with the matter at hand. Importantly, because the Bush administration was viewed as relatively friendly, the Chinese did not interpret the sanctions as a judgment on China's policies writ large, an attempt to interfere in its internal politics or a broadly hostile act designed to injure China's national interests.

On the Chinese side, economic, political and bureaucratic considerations gave the prospect of sanctions a solid impact as well. Economically, the retaliation would certainly have cost the Chinese a portion of their exports. It also would have signaled the international business community that a Sino-American trade war was looming and to steer foreign business clear of China. Politically, China's rapidly emerging merchant class might have perceived Beijing's leaders as incapable of looking after its interests if they chose to prolong some silly quarrel with the Americans rather than allow everyone to get on with the business of making money. Bureaucratically, the threats allowed the Chinese negotiators to go to their superiors and say, in effect, that although the Americans were being as irresponsible as ever, we would be better off working something out with them. Thus the prospect of sanctions shifted the debate from the question of who was right, to which the Chinese would never accede, to the question of which course would best serve their interests, national and personal.

A DIFFERENT KIND OF CARROT

In the future, the United States—indeed, any negotiator—should avoid putting the Chinese in an impossible position. Negotiations are best structured as a win-win activity. In trade negotiations, such a structure is usually not difficult to achieve, since in any normal trade opening both parties usually do win. Since the Chinese do not necessarily share that perception, however, greater creativity is required to avoid the impression that the United States is trying to "do something" to them.

Besides facilitating negotiations, a more creative approach might also help alleviate the problems of compliance. The real negotiations with China often begin once the agreement is signed. For

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one thing, it is unclear to what extent China honestly desires to abide by its trade agreements. Beijing often considers itself to have entered into them under duress. After an agreement is reached, the Chinese attitude is never, "Thankfully that issue is resolved, and now we can both expand trade," as it might be in other countries. Instead, the response is more, "The Americans have given us an impossible mess in this silly agreement, but at least they have left the country."

Beyond the lack of central government enthusiasm for compliance, there is also the issue of central government control. Despite nominally reporting to government ministries, many industries and provinces in China exercise a fair amount of autonomy. Few plant managers will simply shut down a production line because somebody in Beijing tells them to do so, and few customs officials will readily allow more imports and thereby lose opportunities for graft and kick-backs.

For example, mammoth state-owned Chinese factories make millions of dishwashers, washing machines and dryers. But because these products are designed to meet production quotas rather than the needs of Chinese consumers, hundreds of thousands of them must be stored. Nobody will buy them. Rather than simply demand that the Chinese import household appliances, which would only exacerbate the problem, a more constructive U.S. proposal would attempt to rationalize the industry by asking different kinds of questions: What percentage of production could American companies locate in China? What Chinese factories could be phased out because they are located in regions with rapid economic growth and expanding labor needs? Which communities depend on the factories for their survival? Which American manufacturers would be willing to purchase and operate Chinese firms? What type of investment would make the Chinese firms operate competitively?

Such an approach would naturally require a far higher degree of coordination between Washington and the American business community. But if trade talks were part of a broader discussion of how to modernize Chinese manufacturing, it would ameliorate much of the dislocation that would be caused by the Chinese simply opening their markets. Only by addressing the domestic political and economic impacts of its proposals can America really negotiate freer trade with China. And by putting a different kind of carrot on the table along with the "loaded gun," the United States will substantially enhance its prospects for a successful agreement. Now that would be a negotiation.

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Where Are the Great Powers?

At Home with the Kids

Edward N. Luttwak

During the Cold War as before it, local and regional conflicts were often instigated or at least encouraged and materially supported by rival great powers. Now, by contrast, the absence of functioning great powers is the cause of the world's inability to cope with all manner of violent disorders. The result is that not only groups of secessionists and aggressive small powers, such as Serbia, but even mere armed bands can now impose their will or simply rampage, unchecked by any greater force from without. Today there is neither the danger of great power wars nor the relative tranquillity once imposed by each great power within its own sphere of influence.

By the traditional definition, great powers were states strong enough to successfully wage war without calling on allies. But that distinction is now outdated, because the issue today is not whether war can be made with or without allies, but whether war can be made at all. Historically, there have been tacit preconditions to great power status: a readiness to use force whenever it was advantageous to do so and an acceptance of the resulting combat casualties with equanimity, as long as the number was not disproportionate.

In the past, those preconditions were too blatantly obvious and too easily satisfied to deserve a mention by either practitioners or theoreticians. Great powers normally relied on intimidation rather than combat, but only because a willingness to use force was assumed. Moreover, they would use force undeterred by the prospect of the ensuing casualties, within limits of course.

NOT-SO-GREAT BEHAVIOR

The Somalia debacle, precipitated by the loss of 18 U.S. soldiers, and the Haiti fiasco, caused by the fear that a handful of U.S. troops might be killed while defeating that country's military dictatorship, sufficiently exposed the current unreality of the great power concept. In

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pride or shame, Americans might dispute any wider conclusion from those events. They would like to reserve for themselves the special sensitivity that forces policy to change completely because 18 professional soldiers are killed (soldiers, one might add, who come from a country in which gun-related deaths were last clocked at one every 14 minutes). But in fact the virtue or malady, as the case may be, is far from exclusively American.

Most recently, Britain and France (not to mention that other putative great power, Germany) flatly refused to risk their ground troops in combat to resist aggression in the former Yugoslavia. Overcoming the fear of reprisals against their own troops, it was only with great reluctance, after almost two years of horrific outrages, that the two countries finally consented to the carefully circumscribed threat of NATO air strikes issued in February 1994. To be sure, neither Britain nor France nor any other European power has any vital interests at stake in the former Yugoslavia. But that is the very essence of the matter: the great powers of history would have viewed the disintegration of Yugoslavia not as a noxious problem to be avoided but as an opportunity to be exploited. Using the need to protect populations under attack as their propaganda excuse and with the restoration of law and order as their ostensible motive, they would have intervened to establish zones of influence for themselves, just as the genuine great powers did in their time (even distant Russia disputed the Austro-Hungarian annexation of Bosnia-Herzegovina in 1908). Thus the power vacuum would have been filled, to the disappointment of local small power ambitions, and to the great advantage of local populations and peace.

As for why nothing of the kind happened in the former Yugoslavia in the face of atrocities not seen since the Second World War, the reason is not in dispute: no European government was any more willing than the U.S. government to risk its soldiers in combat. Of Japan, literally nothing need be said on this score.

The refusal to tolerate combat casualties is not confined to democracies. The Soviet Union was still an intact totalitarian dictatorship when it engaged in the classic great power venture of Afghanistan, only to find that even its tightly regimented society would not tolerate the resulting casualties. At the time, outside observers were distinctly puzzled by the minimal Soviet theater strategy in Afghanistan. After an abortive effort to establish territorial control, the Soviet strategy defended only the largest towns and the ring road that connected them, otherwise conceding almost the entire country to guerrillas. Likewise, knowledgeable observers were astonished by the inordinately prudent tactics of Soviet ground forces. Except for a few commando units, they mostly remained confined inside their fortified garrisons, often failing to sally out even when guerrillas were known to be nearby. At the time, the explanation most commonly offered was the reluctance of Soviet commanders to rely on their poorly trained conscript troops. But there is a better explanation: the Soviet headquarters was under constant and intense pressure from Moscow to avoid casualties at all costs because of the outraged reactions of families and friends.

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This example also allows us to eliminate another superficial explanation for the novel refusal to accept even modest numbers of combat casualties: the impact of television coverage. The Soviet Union never allowed its population to see any television images of war like those shown in the United States, and still the reaction of Soviet society to the casualties of the Afghan war was essentially identical to the American reaction to the Vietnam War. Although in both cases cumulative casualties over the span of many years did not reach the casualty figures of one day of battle in past wars, they were nevertheless deeply traumatic.

THE WAR OF ALL MOTHERS

There is a more fundamental explanation that remains valid in cases with or without democratic governance, with or without uncontrolled war reportage by television: the demographic character of modern, postindustrial societies. The populations of the great powers of history were commonly comprised of families of four, five or six children; families of one, two or three were rarer than families of seven, eight or nine. On the other hand, infant mortality rates were also high. When it was normal to lose one or more children to disease, the loss of one more youngster in war had a different meaning than it has for today's families, which have two or three children, all of whom are expected to survive, and each of whom represents a larger share of the family's emotional economy.

As any number of historical studies have shown, death itself was a much more normal part of the familial experience when it was not confined mostly to the very old. To lose a young family member for any reason was no doubt always tragic, yet a death in combat was not the extraordinary and fundamentally unacceptable event that it has now become. Parents who commonly approved of their sons' and daughters' decisions to join the armed forces, thereby choosing a career dedicated to combat and its preparation just as a fireman's career is dedicated to the fighting of fires, now often react with astonishment and anger when their children are actually sent into potential combat situations. And they are apt to view their wounding or death as an outrageous scandal, rather than as an occupational hazard.

The Italians, perhaps more postindustrial than most in this sense, with Europe's lowest birthrate, have a word for these reactions: *mammismo*, which might be translated as "motherism." These attitudes have great political resonance nowadays, powerfully constraining the use of force. The Soviet experience in Afghanistan proves that the constraint can become operative even without a mass media eager to publicize private grief, members of Congress ready to complain at the instance of relatives, or pointed questions being asked in a parliament.

Present attitudes toward combat losses that derive from the new family demography are powerful because they are not confined to the relatives and friends of servicemen on active duty. They are shared throughout society—and were shared even within the Soviet elite, it turns out—generating an extreme reluctance to impose a possible sacrifice that has become so much greater than it was when national populations were perhaps much smaller but families were much larger.

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What of the Gulf War, then, or for that matter Britain's war to reconquer the Falklands? Do they not suggest a much simpler explanation: that attitudes depend on the perceived importance of the undertaking, the objective value of what is at stake, or—more realistically—the sheer ability of political leaders to justify the necessity of combat? After all, even during World War II, soldiers greatly resented assignments to what were described as secondary fronts, quickly dubbing any theater that was less than highly publicized as "forgotten." The less immediately compelling the justification, the more likely combat and its casualties are to be opposed. It might therefore seem that the new 2.2-children-per-family demographics and the resulting *mammismo* are irrelevant, that what counts is only what has always counted, namely the importance of the interests at stake, the political orchestration of the event and plain leadership.

Those contentions undoubtedly have some merit, but much less than meets the eye. In the first place, if lives can only be placed at risk in situations already dramatically prominent on the national scene, hence on a larger rather than a smaller scale, and only in final extremities, that in itself already rules out the most efficient use of force—early and on a small scale to prevent escalation.

CONSTRICTED VISIONS

In the past, there was no question of limiting the use of force to situations in which genuinely vital interests, that is, survival interests, were at stake. To struggle for mere survival was the unhappy predicament of threatened small powers, which had to fight purely to defend themselves and could not hope to achieve anything more with their modest strength. Great powers were different; they could only remain great if they were seen as willing and able to use force to acquire and protect even non-vital interests, including distant possessions or minor additions to their spheres of influence. To lose a few hundred soldiers in some minor probing operation or a few thousand in a small war or expeditionary venture were routine events for the great powers of history.

Great powers are in the business of threatening, rather than being threatened. A great power cannot be that unless it asserts all sorts of claims that far exceed the needs of its own immediate security, including the protection of allies and clients as well as other less-than-vital interests. It must therefore risk combat for purposes that may be fairly recondite, perhaps in little-known distant lands, but definitely in situations in which it is not compelled to fight but rather deliberately chooses to do so. And that is the choice now denied by the fear of casualties.

Even now, exceptional strivings by exceptionally determined leaders skilled in the art of political leadership can widen a great power's freedom of action, overcoming at least in part the effects of the new family demographics. That was obviously the case in the Persian Gulf intervention and the Falklands reconquest; both would have been impossible undertakings had it not been for the exceptional leadership of President George Bush and Prime Minister Margaret Thatcher, respectively. Their leadership was the decisive factor, not the undoubted significance of keeping Iraq

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from controlling Saudi and Kuwaiti oil, or the equally undoubted insignificance of the Falklands for any practical purpose whatsoever (another illustration of the irrelevance of the "objective" value of whatever is at stake).

Leadership is important, but that consideration cuts both ways, because the routine functioning of a great power cannot depend on the fortuitous presence of exceptional leadership. It will be recalled, moreover, that a very low opinion of Argentine military strength (indeed, a gross underestimate of Argentine air power) and the resulting belief that casualties would be very low were crucial to Britain's commitment to war in the Falklands. Likewise, the imperative of minimizing casualties was the leitmotiv of the entire Persian Gulf intervention, from the initial deployment, which was originally presented as purely defensive, to the sudden decision to call off the ground war. (To be sure, there were other considerations as well, notably the fear that Iran would become the next threat if Iraq's army were utterly destroyed.) In any case, it seems clear that the freedom of action gained by successful leadership was still very narrow; it is not hard to guess what would have happened to President Bush and his administration if the casualties of the Persian Gulf venture had reached the levels of any one day of serious fighting in either world war.

NATIONS OF FAMILIES

If the significance of the new family demographics is accepted, it follows that no advanced low-birth-rate countries can play the role of a classic great power anymore, not the United States or Russia, not Britain, France or, least of all, Germany or Japan. They may still possess the physical attributes of military strength or the economic base to develop such strength even on a great scale, but their societies are so allergic to casualties that they are effectively debellicized, or nearly so.

Aside from self-defense and exceptional cases à la the Persian Gulf War, only such conflict as can take place without soldiers is likely to be tolerated. Much can be done by air power, with few lives at risk, especially if bureaucratic resistance to the use of air power alone can be overcome. Sea power too can be useful at times, and robotic weapons will be used increasingly. But Bosnia, Somalia and Haiti remind us that the typical great power business of restoring order still requires ground forces. In the end, the infantry, albeit mechanized, is still indispensable, although now mostly withheld by the fear of casualties. It is true of course that high-birth-rate countries can still fight wars by choice, and several have in recent years. But even those very few among them that have competent armed forces lack other key great power attributes, including any significant strategic reach.

In the absence of functioning great powers, the entire character of world politics has changed. Under the old *machtpolitik* rules, for example, the United States should have been eager to extend its military influence to the Russian border by granting full NATO membership to Poland and other former Warsaw Pact countries. Instead the United States opposed NATO's expansion. In the central arena of world affairs, only the commercial and industrial policies that I have

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elsewhere labeled "geo-economic" still have a recognizably conflictual flavor.

Unless the world is content to cohabit with chronic disorder and widespread violence, a synthetic version of law-and-order interventionism by great powers will have to be invented. The remedies we already have are certainly inadequate. To keep the armed forces of the United States as powerful as possible—the preferred military option, of course—is ineffectual when intimidation will not do it, yet the United States refuses to fight. And U.S. ability to intimidate cannot but decline as the word spreads.

IMPROBABLE STAND-INS

Two rather improbable schemes are therefore left. Both satisfy the essential requirement of circumventing the intolerance of casualties. Both could be organized quite efficiently, given the will to do so. Yet both would be furiously opposed by the military establishment, and both undeniably have unpleasant moral connotations.

One scheme would be to copy the Ghurka model, recruiting troops in some suitable region abroad, if not in Nepal itself. They would be mercenaries, of course, but they would be of high quality, and a common ethnic origin would assure their basic cohesion. In practice, U.S. Ghurkas would provide the infantry units, with native U.S. forces providing the more technical forms of combat support involving smaller risks and fewer casualties.

The alternative is to copy the foreign legion model, with units that combine U.S. officers and nonnative volunteers who have renounced their national allegiance, perhaps attracted by the offer of U.S. citizenship after a given term of service. Under both schemes, political responsibility for any casualties would be much reduced, even if not eliminated. The United States, by the way, raised ethnic mercenary units in Indochina with rather good results, and it recruited individual foreign volunteers for Europe-based special forces. So neither scheme is as outlandish or unprecedented as it may seem. Still, one would not want to bet that they would be seriously considered, let alone adopted.

If no remedy can be found for the passing of the great powers and the conspicuous inability of the United States itself to play that role, both the United States and the world had better become habituated to the consequences. Violent disorders unchecked by effective great power interventions have both immediate and delayed effects, including disrupted export markets, refugees and new sources of international crime and terrorism. But Americans will also have to learn not to see, hear or feel much that would otherwise offend their moral sensitivities. Richer inhabitants of the poorest countries learn from childhood how to step politely over the quadruple-amputee beggar in their path without ever actually looking at him, and how not to see the starving mother and child, the waif and the abandoned elderly who try to beg from them as they walk into a restaurant or bank. Blindness can be learned, and Americans will have to learn how to passively ignore avoidable tragedies and horrific atrocities. The experience of Bosnia-Herzegovina shows that Americans have already made much progress in that direction.

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Essays

PHOTOGRAPH BY STEVE LEHMAN, SABA

The Bosnian Serb "Tiger" commando unit

"Instead of rushing toward a bad agreement, we should quarantine Serbia until the virus it carries is eradicated."

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How to Defeat Serbia

David Gompert

FIGHT FOR A PRINCIPLED PEACE

THOSE WHOSE SOLE concern has been to keep the United States out of the Yugoslav conflict may view American policy over the past four years as successful. The rest of us—even those who had a hand in that policy—know failure when we see it. True, the war has not spread beyond Croatia and Bosnia, owing in part to an American containment strategy. Also true, the human agony would have been worse had the United States not supported an international relief effort that deserves more praise than it gets. Yet we cannot evade the larger truth: the United States promised to stay in Europe after the Cold War in order to help keep peace and sustain the democratic revolution; but a war of aggression has been waged and won by a most undemocratic regime. The United States proclaimed principles of peaceful change for a new era; but those principles have been wantonly disregarded. We said "never again"; but again the intolerable has happened in Europe.

Great as our sorrow is for the slaughter and for our mistakes, it is unfair to suggest that the United States bears the main responsibility. Our military superiority and international leadership role do not obligate us to sacrifice our sons and daughters to combat brutality wherever it occurs. Moreover, the lack of a purposeful effort by our European allies to prevent or stop a vicious conflict on their conti-

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PHOTOGRAPH BY STEVE LEHMAN, SABA

Can these men be stopped?

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nent not only surpasses American shortcomings but has hamstrung U.S. policy. Still, we must see that American interests and values, its credibility and self-respect have been damaged in the former Yugoslavia, and we must thus recognize the face of failure.

The United States is not destined to keep failing in the Balkans. Rather, it can devise a strategy that responds to the fact of Serbia's military success and, from here on, both protects American interests and repairs its principles. The Clinton administration has established some limits of what will be tolerated, and it has created the possibility of a continued, if tenuous, Bosnian state. But there is a danger of misinterpreting and thus misplaying this opportunity. A strategy aimed at achieving an early, final settlement through a combination of sticks (limited air strikes) and carrots (relaxation of sanctions) would be a mistake, whether or not it succeeded, leading either to a futile escalation or to the codification of Serbian conquests in an unstable peace agreement enforced by U.S. troops. Yet wide and relentless NATO bombing at a level that could turn the tide of war or extract sweeping concessions from the Serbs would require a radical, and unrealistic, shift in Western and U.N. attitudes. The best alternative is to conduct a cold war against Serbia—one of indefinite duration but certain outcome—while in the meantime using NATO's military power more effectively to ensure that relief reaches Bosnia's innocent victims.

ANTICIPATING CHAOS

CONTRARY TO A WIDELY held view, the Bush administration was well aware of the dangers in Yugoslavia prior to the crisis. It simply knew of no way to prevent a violent disintegration. National Security Adviser Brent Scowcroft and Deputy Secretary of State Lawrence Eagleburger, among others, understood Yugoslavia and its volcanic nature. There was no "intelligence failure," no inattention due to preoccupation with the collapse of communism or Iraq's invasion of Kuwait. Rather, despite considerable deliberation and diplomatic action, no good option emerged to arrest the accelerating, awful logic of breakup and war. Serbs were usurping power in Belgrade; Slovenes

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were determined to be free from the Serbs; Croats were destined to follow the Slovenes; Serbs, in turn, were dead set against living as a minority in an independent Croatia; and the Bosnian powder keg was set to explode once the fuse was lit in Croatia.

By 1990 Washington was pessimistic but not paralyzed. It supported the teetering Yugoslav federal government of Ante Marković, who was committed to democracy and a market economy. The Bush administration also pressed Serbian strongman Slobodan Milošević to stop his oppression of Albanians in Kosovo and his illegal seizure of Yugoslav federal assets and authority, which were fueling Slovenian and Croatian secessionism. At the same time, the Slovenes and Croats were urged to consider arrangements short of dissolution. None of these American efforts was fruitful.

U.S. policy was motivated by a judgment that a peaceful breakup was infeasible.

While the identity of the archvillain—Milošević , Inc.—was never in doubt, the Bush administration had scant sympathy for Slovene and Croat separatists. The former seemed willing to trigger a Yugoslav war so long as they could escape both Yugoslavia and the war. The Croatian regime, hardly democratic, adopted policies regarding minorities that stoked fears among Serbs living in Croatia of a revival of the Ustashe, the infamous Nazi-style secret police who butchered Serbs during World War II. American policymakers thus saw cynicism behind the declared "right" of Slovene and Croat nationalists to be free, democratic and part of the (Roman Catholic) West, even as these same U.S. policymakers knew that Milošević's power-grabbing was the main force propelling Yugoslavia toward a violent end.

U.S. policy prior to hostilities was not motivated by an attachment to a unified Yugoslavia but by a judgment, which proved all too correct, that a peaceful breakup was infeasible. American strategic interest in the integrity of Yugoslavia, per se, ended with the collapse of the Soviet threat to Europe. By late 1990 the overriding U.S. concern about Yugoslavia was to avert a Balkan war. Washington believed that a disintegration of Yugoslavia was bound to be violent because Serbs would sooner fight than accept minority status in an independent

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Croatia; that the fighting would engulf much of Yugoslavia, because the urge of each republic to secede would grow as others seceded; and that the human toll would be terrible, because Yugoslavia was seething with both weapons and latent hate-fear. (The grisly particulars—detention camps, ethnic cleansing, mass rapes, shelling of civilian populations—were not predicted, though perhaps they could have been.) Those who criticize the Bush administration for contributing to the outbreak of the conflict by favoring unity have yet to explain how favoring disunity would have prevented the conflict.

As the crisis deepened, the United States advanced several sound principles: Yugoslavia should become democratic throughout; borders, external and internal alike, should be altered only by mutual consent, not unilaterally or by force; Yugoslavia should not be held together by force; members of minority groups throughout Yugoslavia should have the same rights as all other individuals. That every one of these principles was thoroughly trashed within a year underscores the scale of the U.S. failure but does not invalidate the norms on which they are based. (It is worth noting that essentially these same principles were observed, more or less, in the breakup of Czechoslovakia, where not a shot was fired.)

Knowing that disintegration meant a savage war, the United States favored transforming Yugoslavia into a confederation of quasi-sovereign states. Such an arrangement was also urged by the leaders of Macedonia and Bosnia-Herzegovina, who saw great peril in complete dissolution. Washington hoped that a loose structure would satisfy the Slovenes (and thus the Croats) while also convincing the Serbs that it was the only way to hold Yugoslavia together. Indeed, moderate Slovenes and Croats favored such an outcome and welcomed this American stance, knowing as they did that secession would lead to bloodshed. U.S. strategy, which culminated in Secretary of State James Baker's mid-1991 visit to Yugoslavia, sought to persuade the Slovenes to postpone unilateral separation, while demanding (toothlessly) that Milošević adhere to the constitution and warning the leadership of the Serb-dominated Yugoslav National Army (JNA) not to use force to save Yugoslavia.

But the Slovenes proved indifferent to the fatal consequences for

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others of their actions. They seceded and took the Croats with them. In response, the JNA declared itself obligated to act in defense of the union and its own military assets. Serbs living in Croatia took up arms without delay. The Baker mission failed, but the secretary gave no "green light" to the Serbs to use force to preserve Yugoslav unity. Had the U.S. championed Slovenian and Croatian secession instead of urging restraint, the results would hardly have been better.

'THE HOUR OF EUROPE'

AMERICAN RELIANCE on its European partners to take the lead in Yugoslavia proved to be a grave mistake that compounded the West's failure. Before the fighting began, the United States urged the European Community to accept leadership out of a belief that the allies had more leverage than the United States to head off a catastrophe. American attempts in 1990 to get the Europeans to face the dangers were brushed aside: an American proposal to consult in NATO was declined, with the French accusing the United States of "overdramatizing" the problem. Not until 1991 was the EC seized with the risks of Serbian policies and Slovenian secession. The $4 billion aid carrot the EC then produced could have been the last hope for avoiding war, had it not been dangled in front of the Yugoslavs at least a year too late.

At the highest levels and at every turn, the United States encouraged the allies to engage and offered its support. The Europeans favored EC leadership because Yugoslavia was viewed as an opportune foreign policy challenge at the very moment German Chancellor Helmut Kohl, French President François Mitterrand and others wished to display the EC's ability to act effectively and cohesively. Luxembourg's foreign minister, speaking for the EC's troika of emissaries, proclaimed it "the hour of Europe," a quote whose painful echo is a reminder of how badly the Europeans misjudged the dogs of this Balkan war. The United States deferred to the Europeans' wish that transatlantic coordination take place in EC-U.S. channels instead of in NATO. The alliance was thus kept out of the crisis until it became clear that the Bosnian conflict exceeded the capacities of all other international institutions.

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Broadly speaking, U.S. handling of the Yugoslav crisis, at least from 1990 through 1992, contradicted and undermined its declared policy regarding the centrality and purpose of NATO in post-Cold War Europe. During that period, the Bush administration insisted that America's role in European security would be maintained despite the disappearance of the Soviet threat and that NATO was the keystone of European security and the proper venue for crisis management. The administration informed Congress that a residual American presence in Europe on the order of 150,000 troops was needed to preserve stability and peace. The Rome summit at the end of 1991 endorsed NATO's new role and revised alliance military strategy to emphasize force projection over territorial defense.[1]

Yet the Bush administration did not press for the use of NATO to set and manage Western strategy, much less to intervene, owing to a combination of the EC's desire to lead and its own concern that NATO involvement would shift responsibility to the United States. Washington wanted the EC to succeed, but the clearer it became that the EC could not, the less eager the United States was to see the alliance, and thus itself, saddled with a no-win problem. Predictably, the attempt to hold the Yugoslavia crisis at arm's length did not spare the United States the effects of, or responsibility for, the failure that followed.

As fighting intensified in Croatia in late 1991, the United States was hesitant to recognize the two breakaway republics. This hesitation stemmed from a conviction, also held by U.N. envoy Cyrus Vance, that premature recognition would scuttle Vance's effort to obtain a ceasefire and deploy a peacekeeping force in Croatia. There was also a reluctance to recognize Croatia and Slovenia before recognizing Bosnia-Herzegovina. Both U.S. policy and the EC's Arbitration Commission held that recognition of Bosnia should await the outcome of a referendum there. When a two-thirds majority of Bosnians—made up of Muslims and Croats, with Bosnia's Serbs boycotting—voted for inde-

[1] Ironically, although NATO did not have in mind the possible use of its new "rapid reaction corps," the JNA was not so sure. The Yugoslav defense minister, General Veljko Kadijevic, told me after the Rome summit that he suspected the alliance of preparing an intervention force.

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pendence, the United States pressured the EC to recognize Bosnia in exchange for U.S. recognition of Slovenia and Croatia. Recognition of Bosnia did not precipitate the use of force by the Bosnian Serbs any more than it deterred it. Very simply, Bosnian Muslims would not stay in a rump Yugoslavia dominated by Serbia, and Bosnian Serbs would not stay in a Bosnia dominated by Muslims. In any case, there was no legal basis for the United States to recognize Croatia but not Bosnia-Herzegovina.

The West was divided and immobilized in the crucial period between the EC's recognition of Slovenia and Croatia in December 1991 and the European-American agreement in March 1992 that Slovenia, Croatia and Bosnia should all be recognized. Bowing to right-wing and Croat expatriate pressure, German leaders muscled their EC colleagues into recognizing Slovenia and Croatia against the better judgment of the United States, the United Nations and indeed most EC foreign ministries. In doing so, Bonn hastened Bosnian secession and a war from which Germany, due to its history and constitutional restraints, could remain aloof while its partners faced risk and sacrifice. The Germans favored standing up to the Serbs, knowing that the responsibility would fall to others.

European governments did not seem to grasp the huge danger in Bosnia.

Consumed by their dispute over recognition, the Western powers failed utterly to prepare for the conflict in Bosnia they had every reason to expect. They failed even to call for the prompt departure of the JNA from the newly recognized country. Worse, the opportunity was lost to dispatch to Bosnia a peacekeeping force to discourage violence before it began. Because the U.N. force in Croatia was already shaping up as a major burden, there was no enthusiasm in the West or the United Nations for a significant new commitment. The EC was and would remain inert. Even on the eve of disaster, European governments did not seem to grasp the huge danger in Bosnia. At the same time, the Bush administration was hardening its resolve to keep U.S. troops out of Yugoslavia altogether. So the West watched Bosnia slide into unspeakable violence.

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TURNING HELPERS INTO HOSTAGES

THE LONDON CONFERENCE of August 1992 was a lost opportunity, a turning point and a sorry chapter in Western mishandling of the conflict. The conference, attended by an accommodating Californian, Milan Panić, as premier of the new "Yugoslavia," produced a package of useful concrete agreements among the parties. If honored, these measures would have curtailed the fighting, ended atrocities, guaranteed safe and effective humanitarian relief and set the stage for political negotiations.

In the days and weeks that followed, however, the Serbs willfully ignored every accord reached and commitment made. This affront drew no response from the West or the U.N. Security Council. The United States was disinclined to use air power to enforce the various London agreements, in part because of the perceived risk of being drawn in and in part because of the particular difficulty of air-policing restrictions on artillery. The British reinforced American hesitation by insisting that they would participate in the U.N. Protective Force (UNPROFOR) only if the United States did not introduce air power, lest it anger the Serbs.

The Europeans were also adamant about the need to maintain the arms embargo on the Muslims. Until its final days, the Bush administration shared this reluctance to arm the Muslims, despite the Serbs' failure to abide by the London accords. Its analysis showed that lifting the embargo would increase Muslim casualties and the suffering of innocents, impair humanitarian relief and bring no change in the military fortunes of the parties. This fear of fueling the conflict to no avail outweighed the view that only the government in Sarajevo had the right to decide whether to accept the risks inherent in defending Bosnia and its people. When President Bush, feeling strong Arab pressure, reversed his position on the arms embargo before leaving office, London and Paris blocked the change, showing once again that the presence of Europeans (and absence of Americans) in UNPROFOR has given the allies a veto over U.S. action, just as it has given the Serbs a veto over Western action.

Western inaction after London told the Serbs in unmistakable

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terms that there would be no intervention. The Serbs were further emboldened as it became clear that the British and French considered their UNPROFOR contingents virtual hostages and therefore sought to avoid provocation. Concerned about the dangerous precedent of bowing to threats against blue helmets, the United States offered in late 1992 to use air power against the Serbs if they harmed U.N. personnel. The United Kingdom declined the offer; indeed, London's repeated public display of concern for the safety of its UNPROFOR contingent encouraged the Serbs to threaten these and other U.N. forces as a way to derail Western attempts to interfere with their ethnic cleansing of Muslims. Other blue helmets in other nasty circumstances in the future might wish that the West had shown more grit in Bosnia.

KUWAIT OR VIETNAM?

PRESIDENT BUSH'S DECISION not to allow American ground forces to play any role under any circumstances in Bosnia effectively precluded large-scale Western military intervention. The president's advisers knew that Western military intervention in Bosnia really meant American military intervention with token allied forces, owing to the allies' lack of serious intervention capabilities. The administration also feared that introducing any U.S. ground forces, even to escort humanitarian relief convoys, could lead to a creeping, eventually massive U.S. engagement since the United States and only the United States would be under pressure to escalate its involvement to ensure success. Involvement in Bosnia was viewed as more akin to Vietnam than to Desert Storm. Notwithstanding public outcry over televised Bosnian horrors, the Bush administration was convinced that the American public, seeing no vital interests at stake, would not support the level of commitment and casualties that might be required to succeed. Events since (e.g., Somalia) suggest that this reading was politically accurate.

Other uses of force, such as striking Serbian artillery in range of population centers, were rejected as militarily ineffective, as well as the first foot on the proverbial slippery slope. The Bush administration—no rookie when it came to using force—was not prepared to

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threaten force unless it was willing and able to execute not only the specific threat but whatever steps beyond might be needed to prevail. Panama and Kuwait were held up as evidence of the merits of acting only with "decisive force"; even administration hawks knew that Bosnia would be more difficult to manage militarily and politically. Nor was the president inclined to gamble that the Serbs would lose their nerve when confronted with American might. While likely Serb reactions to U.S. strikes were pure guesswork, the Bush administration believed the consequences of guessing wrong were prohibitive, in the sense that once committed the United States would then have to use all necessary force to avoid failure, despite the absence of vital stakes and firm public support.

CLINTON COMPOUNDS THE CONFUSION

THE "LIFT AND STRIKE" initiative of February 1993 accentuated transatlantic discord, highlighted irremediable defects in the Vance-Owen plan, demonstrated the U.S. inability to lead, raised Muslim hopes that Western intervention would occur after all, and committed the United States to join in the enforcement of a dubious peace agreement. Perversely, it signaled to the Serbs that a large NATO force would be inserted in Bosnia not if the fighting continued, but only if it stopped. Not surprisingly, the new administration soon retreated to the same public posture that its predecessor employed when stymied, wrongly portraying the Bosnian conflict as a hopelessly complicated civil war, with all parties at fault and no American interests at stake.

There rested American policy, uneasily, until a Serbian mortar shell hit Sarajevo's crowded marketplace—an obscene act, but one no worse than other atrocities routinely committed in Bosnia. Western television footage was gruesome enough to prompt Washington to insist on a NATO ultimatum threatening air strikes if the Serbs failed to pull their heavy weapons out of range of Sarajevo. When the threat worked, American advocates of air strikes proclaimed that they had been right all along to challenge the view that hitting the Serbs would simply get their backs up and endanger U.N. peacekeepers on the ground. But within a few weeks, defiant Serbs were shelling the "safe"

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city of Gorazde, firing on NATO aircraft and detaining U.N. peacekeepers, thus casting doubt on Pavlovian explanations of Serbian behavior. In the end, the Serbs edged away from Gorazde. But overall, it appears that spotty use of NATO military power will have spotty results. Yes, force impresses the Serbs more than other forms of coercion; but doses of force too small to alter military outcomes may not impress them enough to alter their behavior strategically.

The United States and its allies are right, at last, to use force when U.N. Security Council decisions or commitments made by the Serbs themselves are flouted, when U.N. personnel are threatened, or when humanitarian operations are hindered. However, since Western governments, reflecting public sentiment, have no intention of intervening decisively in Bosnia, there is little chance that air strikes, here and there, against Bosnian Serb tanks and artillery pieces will change the course of the war or bring about a principled and enduring peace. Thus, Serbian military gains to date will not be contested, and any formal settlement available at this time is therefore bound to reward aggression.

AT ROOT, A EUROPEAN FAILURE

IT IS WORTH ASKING how U.S. policy over the past four years could have been such a dismal failure. Consistent U.S. leadership might have made a difference. Why was it not forthcoming from the seasoned, interventionist, Atlanticist Bush administration—from the folks who built the coalition and sent the force that crushed Iraq? This was not a case of a breakdown of Washington's ability to read and act on the warning signs. Rather, George Bush and his lieutenants studied the facts and concluded that leadership in this crisis would have had major drawbacks for the United States.

Following the Gulf War, a leading role in Yugoslavia would have implied that the United States could and would act as international policeman, even in an area of more immediate importance to America's rich European partners. Moreover, this was a problem with no good, feasible solutions. Only massive Western intervention would have stopped and reversed Serbian aggression, not some smart bomb down

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the right Serbian chimney. The United States faced by far the largest risks because it had (and has) the only real intervention capability. And the larger the task, the greater the American burden and casualties, and the greater the need for resolute public support. Yet Desert Storm taught the American people, wrongly, that vital interests could be defended with a handful of casualties in a video-game war. Popular backing for the use of force in Yugoslavia, ambivalent at the outset, would quickly evaporate. Lacking solutions, the United States had no reason to wrest leadership from the eager Europeans.

Any formal settlement available at this time is bound to reward aggression.

Neither the United States nor any other power saw its vital interests imperiled by the conflict. The West had a political and moral interest in humanitarian relief and a strategic interest in containment—and in fact the United States and EC have been successful in protecting those two interests. (The terse Christmas Day warning from Bush to Milošević in 1992 that Serbian violence against the Albanians of Kosovo would expose Serbia to attack may well have prevented conflict there.) But Western leaders did not see—or, if they saw, did not translate into public support and purposeful policies—that the crisis, in Bosnia especially, was setting the worst possible precedents for the new era. They did not appreciate the importance of defeating this case of fiendish nationalism before it metastasized elsewhere in the former communist world.

At the root of American failure was West European failure. Had the Europeans confronted the problem when the United States alerted them, had they acted more cohesively, had they been more willing to sacrifice, the United States could have joined them in a better, if not entirely successful, strategy. Under both administrations, the United States has been prepared to do more, including use force, but not instead of or over the objections of its allies. Although many British, French, Dutch, Spanish and other European men and women have served courageously in the Yugoslav conflict, Europe itself has been a flop. That each of the most powerful members of the EC had its own agenda not only helped ensure EC failure but reminds us why Euro-

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peans, left to themselves, tend to mismanage Europe's security.

Finally, poor as Western policy has been, we should not forget that Yugoslavs destroyed their multiethnic state, caused the ensuing war and fought it in a most heinous way. The Slovenes acted unilaterally without regard for what they knew would be tragic consequences for others; the Croats gave ethnic Serbs every reason to fear for their safety; Milošević drew to the surface and then retailed the venom of ethnic hatred that had been inactive in modern Yugoslavia. The abundance of Balkan villains and absence of innocents—except for the people—do not excuse Western failures yet help explain why it was and remains so difficult to find solutions.

FREEZE OUT THE SERBS

BELGRADE WANTS A political settlement that will secure Serbian conquests, end economic sanctions and open the way to creation of Greater Serbia. The West, especially Western Europe, wants a settlement to end the violence but realizes that Serbian territorial concessions will be necessary. The United States is not prepared to carry out the kind of heavy bombing campaign that could change the calculus fundamentally, and even if it were, the Europeans, Russians and U.N. relief authorities would block it. But the allies are prepared to negotiate away the economic sanctions on Serbia. Thus eagerness in the West to stop the fighting could present Milošević with the opportunity to become victor, peacemaker and father of Greater Serbia.

If the United States goes along, and agrees to pressure the Muslims to yield, there is a good chance of getting a bad peace—a settlement devoid of principle; an outcome that would strengthen a regional bully whose creed and conduct are the opposite of what the United States wants to foster in the former communist world; a formal acceptance of the results of aggression and ethnic cleansing; a deal obtained by forgoing further punishment of the aggressors; an unstable peace. Are we now condemned to add to our failures by codifying their consequences? Is this a solution we want American soldiers to enforce?

There is a less bad future, provided the United States is prepared

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to play a long game. A sustained economic and information war against Serbia should in time topple the Belgrade regime and permit a more principled and lasting settlement in Yugoslavia than anything within reach today. So far, sanctions have not brought down Milošević nor changed Serbian policies. But in time, industrial demise and wretched living conditions should create pressure for change. Such a development would be no more astonishing than what has occurred in the past five years in most of the communist world, the Middle East and South Africa. Years—decades, if need be—of deprivation, isolation and misery should produce a democratic revolution and leaders eager to earn a place for the Serbs in the society of nations. Is that not a better time for a final settlement? Instead of rushing toward a bad agreement that will give this abominable regime the chance to recover and look respectable, we should commit to quarantine Serbia until the virus it carries has been eradicated.

Is this realistic? Even now, there are concerns that the sanctions regime will not hold. But a patient cold war against Serbia would not require that sanctions be airtight, provided they are durable. It is a mistake to expect sanctions swiftly to choke out the life of a regime as hardy and resourceful as that of Milošević, backed by the legendary Serb patriotism he is able to sustain with his information machine. A better model might be the slow death of the economies of the Soviet Union and Eastern Europe, leading to the revolutions of 1989-91. In Serbia's case, the process can be nudged along by a broader, if still imperfect, denial of the benefits of foreign trade.

Would the allies see it through? West European allies have proved quite stout in sticking with sanctions against South Africa, Libya and Iraq, as well as with restrictions on economic intercourse with the U.S.S.R. Why in the case of Serbia should they not be able to endure the limited effects on themselves? And if the Europeans believe sanctions cannot be sustained, why do they believe the Serbs will make important concessions to get them removed? In any case, even leaky sanctions should not be lifted in a trade for a flawed and unstable peace settlement. In sum, the allies have a weak case for ending Serbia's economic isolation in return for a bad settlement, and a firm U.S. stance should prevail, especially since

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the Europeans cannot easily capitulate without American consent.

A more legitimate concern is with the harmful effect of the embargo on the frail new democracies of southeast Europe: Albania, Macedonia, Bulgaria and Romania. The West cannot treat them as expendable. Instead, the EC and the United States should expand and sustain economic support so that these frontline states can survive and succeed as Serbia falters. Supporting struggling societies recently liberated from communism is a worthy cause in any case. It has done much for the Poles, Hungarians and Czechs. The cost has been affordable, and the results are promising. And, of course, the West would not be helping the Balkan democracies in the long run by ending Serbia's isolation and letting Milošević emerge as the victorious leader of a menacing local power.

Sustained economic and information warfare should topple the Belgrade regime.

Economic progress among Serbia's neighbors could accentuate the political effects of Serbia's own economic decline, provided its citizens are informed about the reasons for and consequences of their leper status. To date, Serbs may be miserable, but they believe they are right, and they blame the West, not Milošević, for their plight. But therein lies a source of hope for the long-term strategy suggested here. The information revolution had as much to do with the collapse of Soviet communism as did the rot within. Today the majority of Serbs believe what they see and hear on the television station controlled by Milošević. Tomorrow—certainly within a few years—Milošević should be unable to prevent them from learning the truth, about him, about Bosnia, about the atrocities, about the reasons for their hardship, about their options.

This natural development could stand a boost. The Western democracies have done far less than their technology permits to challenge Milošević's information monopoly. Television is the key but not the only medium that needs to be developed and exploited. Fax networks riddled and wrecked the Soviet system, and the Serbian regime is as vulnerable. This strategy may not seem the stuff of high policy, but its potential is great, given time. The power of information technology is growing, and the power of truth should prevail in Serbia as it has elsewhere.

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Of course, certainty of the success of long-term isolation is not essential to the case for maintaining it on the Serbs. Economic war in perpetuity against an unrepentant Serbia would send a strong signal that even when aggression is not stopped it will result in unforgiving punishment. After all, if international law supports punitive action against aggressors who fail, is it not more important to punish those who succeed? In any case, if sanctions do not produce sweeping change in Belgrade, a crippled Serbia is preferable to one that is given the chance to rebound from its offensive war.

In the course of an international cold war against Serbia, at least scattered fighting would persist in Bosnia. The West cannot prevent this. It is mainly a consequence of the presence of a half-dozen Muslim enclaves in regions of Bosnia otherwise controlled by the Serbs. The Serbs may or may not try to force or pressure the Muslims to leave the enclaves. Now that the threat of NATO air strikes is present, the Serbs will likely be content to tolerate most if not all of these pockets. Muslims may attempt limited counteroffensives now and then. But, on balance, there is little reason to think the fighting will increase or spread, or that the main battle lines will shift.[2] Indeed, there may be a chance now of achieving a general or at least widespread ceasefire, decoupled from a definitive political solution. This war is terrible, but not so terrible or unstable as to justify a bad final settlement now, when the Serbs have the upper hand.

The international community, meanwhile, should concentrate its military efforts on improving humanitarian deliveries. Convoys will get through if they have adequate ground and air escorts who are not only authorized but ordered to use all necessary force to discharge their duties. Those who interfere with U.N. relief efforts or harm U.N. personnel should be exposed to air attack and charged with war crimes. To the French and British, who say they might pull out of Bosnia if there is not a quick deal with the Serbs, the United States should offer air cover and make the case publicly that the right stance toward Serbia is steadiness not retreat.

[2] In the unlikely event that the U.N. Security Council lifts the arms embargo on the Muslims, violence would increase, relief operations would be curtailed, Western consciences would be cleared, but Serbian gains almost certainly would not be reversed.

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If the situation can be stabilized and the fighting curtailed by local ceasefires and restrictions on military operations, so much the better. Make this, not a political settlement, the focus of negotiations. But the tragic error that followed the London conference must not be repeated: agreements and commitments must be enforced. The West cannot resolve this conflict on acceptable terms with limited air power. But it should leave no doubt that it will be used without hesitation to uphold U.N. decisions and to protect those who wear blue helmets. This threat can help stabilize Bosnia while Serbia is punished.

There never was an easy solution to the Yugoslav problem, and our failures so far have made the conflict even harder to settle on terms we will not come to regret. So horrible is the war that pressures to stop it now—by air strikes or concessions—are intense. Yet they are not intense enough to generate public and international support for the kind of decisive intervention that could produce a just settlement.

Although the West is not prepared to defeat Milošević militarily, it is not bound to cut a deal with him. Western impatience and guilt do not permit us to forgive the crime of forcing a million Muslims from their homes. We can reach a more acceptable outcome in time, with an acceptable Serbian leadership, by showing steadfastness we did in the larger Cold War. The United States can avoid sending American troops to police the result of the West's weak policies. Unless we hand him victory now, Milošević will lose a cold war, and real peace can then come to the Balkans.

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Democracy and Its Discontents

Charles S. Maier

MORAL CRISES IN HISTORICAL PERSPECTIVE

How should one make sense of the malaise that currently sours public opinion in the countries of Europe, in Japan and North America? It reveals itself most saliently in tremendous electoral volatility as political parties are deserted for new formations and leaders. Consider the disintegration of Japan's Liberal Democrats; the obliteration of Canada's Progressive Conservatives; the populist appeal of Ross Perot; the attrition of the mainstream German parties for Greens on the left and xenophobes on the right; the willingness of voters in Poland and former East Bloc countries to vote for recycled communists; the Zhirinovsky phenomenon in Russia. Most recently Italian voters turned sharply toward the unconventional electoral formations of the Italian "Freedom Alliance": the refurbished neo-fascists, the plebiscitary fan clubs of television magnate Silvio Berlusconi, and the pugnacious regionalists of the Northern Leagues.

Elections provide only the most spectacular index of public impatience. Political leaders have found it difficult to follow through on laboriously negotiated national pledges such as Meech Lake, Maastricht or the North American Free Trade Agreement. Great breakthroughs become mired in complexity: How many outside Brussels still retain the 1992 vision of the European Community as a transforming venture? And social cohesion apparently frays at a level even

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more basic than politics. Citizens become uneasy at the noticeable presence of the foreign-born, worry about the burdens on welfare and the pool of jobs, and view imported mores, languages and religious manifestations as a threat to national identity. Casual resort to deadly force seems to have become more acceptable, whether among American gangs or German skinheads. Commentators point out, and everyday life seems to confirm, a general erosion of civility, which has taken on "an ideological edge."[1] Only a few years after Eastern Europeans sought to recover the autonomy of civil society, the quality of civil society, Western and Eastern, seems significantly degraded. No wonder that the common exhilaration that attended the collapse of communism has largely dissipated. How difficult it is today to recover the spirit of the crowds in Leipzig or Wenceslaus Square.

Do these manifestations mean that democracies, as some might propose, have become ungovernable? Are they more unruly? Certainly they are not in comparison to 15 or 20 years ago. There are probably fewer public demonstrations, fewer bombings, fewer assassinations, fewer strikes, more moderate wage claims than during the 1970s. (To be sure, the record may yet deteriorate further.) In the 1970s, too, critics discerned a crisis of governability. What they usually referred to, however, were excessive demands on the state and economy, as postwar growth deteriorated into stagflation. The crisis then was purportedly the result of "overloaded democracy," shortsighted mass pursuit of present entitlements at the expense of saving for the future. Whether or not this analysis is accepted for the 1970s, today's discontents are different. Citizens do not so much confront their states with demands as they back away in disillusion. If there is a crisis, it is of a different sort.

WHAT KIND OF CRISIS?

THE CRISIS OF the 1970s tended to focus on issues of economic distribution. In the market arena wage earners and employers seemed locked in a struggle, over income shares, that inhibited productive sav-

[1] William Grimes, "Have a #%!&$@$! Day," *The New York Times*, October 17, 1993, section 9, page 1.

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ing and investment. In the political arena delegates for the same classes as well as pensioners, the military and other interests all struggled for government subsidies and benefits—a continuing tug-of-war then diagnosed by some as the "fiscal crisis of the state."[2] In the 1970s the vicious circle of declining productivity and employment, higher welfare needs and state expenditures as a share of stagnating income, persisting inflation, increased political contentiousness; wage militancy, lower investment and so on seemed impossible to break. State deficits persist in the 1990s, but in most Western societies a cap seems to have been placed on public claims on national income. Unemployment remains preoccupying in Spain, France, American cities and elsewhere. Nonetheless, the discontents of the 1990s do not manifest themselves preeminently as an economic crisis. An economic crisis is one in which poor economic performance—high unemployment, a decline in growth or an actual fall in output, sometimes a great inflation—imposes massive public hardship and dominates political debate. The market societies, at least to date, have learned to be less perturbed.

Neither does the disaffection of the 1990s constitute a political crisis—again with the proviso, at least not yet. Real political crises threaten civil war or dictatorship. They emerge when contending parties cannot resolve deep ideological differences and thus paralyze institutions. The French and Spanish Republics from 1934 through 1936, the Weimar Republic in 1923 and again after 1930, the United States in the late 1850s and perhaps in the late 1960s underwent political crises. The communist regimes experienced their own political crises at the end of the 1980s, and the lands of the former Soviet Union may have not yet emerged. (Whether ethnic conflicts over territory or political rights, as in Canada, the former Czechoslovakia, and of course the former Yugoslavia, count as political crises depends upon their mode of resolution, whether consensually or by force.) Whereas political crises often emerge out of intense party loyalties, the public mood under study here involves a profound distrust of traditional parties. Granted, the rejection of traditional party organizations can evolve into the emergence of fierce new loyalties. But the crisis today

[2] James O'Connor, *The Fiscal Crisis of the State,* New York: St. Martin's Press, 1973.

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retains its pre-political properties. It is less conflictual, more rooted in a civil society (actually in structures that are less developed than civil society) that has become deeply distrustful of the state.

If it constitutes neither an economic nor a political crisis, how should contemporary public dissatisfaction be summarized? It is best described by the term "civic discontent" or even "moral crisis." Moral crises can help generate political crises, and they reveal characteristic economic symptoms even if they do not originate in economic causes. The economic manifestations involve distribution more than production: moral crises are nurtured by growing inequality of incomes, feverish and often conspicuous consumption and the frenzied pursuit of windfall gains in real estate and speculative finance. Ivan Boesky and Michael Milken, for example, testify to moral crises, not economic ones.

Political crises emerge out of intense party loyalties; moral crises involve distrust of traditional parties.

"Crisis" is a strong and often overused term. Still, it is justified, for it signifies a precarious systemic state in which an organism or a society hovers between decomposition and a rallying of collective energy. Undergoing a crisis does not preclude a recovery of vitality, but it does suggest that the society and states that emerge after an extended period of turbulence shall have been transformed, not merely restored. One can understand more of what is currently at stake by contrasting two preeminent nineteenth-century analysts of crisis. Karl Marx, of course, believed economic crises to be deepening ineluctably before his eyes. They unfolded as the consequence of class conflict, restlessly stripping away all illusions about the power of capital, transforming political and property regimes in their wake. His conservative contemporary Jacob Burckhardt, however, remained preoccupied by a cultural degeneration (akin to what I mean by "moral crisis") that he ascribed to the advent of mass politics, the resort to militarism and the feverish pursuit of wealth. As Burckhardt wrote with foreboding in the 1870s, "The first great phenomenon to follow the [Franco-Prussian] war of 1870-1871 was a further extraordinary intensification of money-making. . . . Art and science have greatest difficulty in preventing themselves from sinking into a

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mere branch of urban money-making and from being carried away on the stream of general unrest. . . ."[3]

One need not share Burckhardt's fear of democracy to grasp his premonitions of moral crisis after 1870: the force of mass upheaval, the spectacular international realignment, the rash of new fortunes, a renewed threat of anti-Semitism. Others would share these misgivings. A few years later the once-ardent national poet, Giosuè Carducci, wrote scathingly about united Italy and the ugliness of its capital, now the site of clientelistic politics and real estate speculation. Italy was not the only country to be afflicted by a sense of historical decay and moral degeneration. In the Third French Republic one scandal after another agitated (or titillated) the public: the son-in-law of President Jules Grévy, it was disclosed, peddled the Legion of Honor out of the Elysée; the would-be developers of the Panama Canal thoughtfully placed a sizable number of parliamentary deputies on their payroll. In the United States rife corruption tarnished the administration of Ulysses Grant, the administration of New York City and the presidential candidacy of James G. Blaine. Germany underwent a plutocratic orgy during its brief *Gründerzeit.* All the nation-states constructed or reconstructed between 1860 and 1870 on the basis of popular nationalism seemed to be mired in networks of venality.

Political mobilization of the male population led apparently neither to a lofty democracy nor an austere liberalism, but to regimes based on manipulated public opinion. The instruments might be shameless patronage or rigged elections—entrenched by interparty agreement in Restoration Spain after 1874 or achieved by voting restrictions in Hungary and the American South. Given the discrepancy between the high ideals of liberalism and its shabby realities, it was no surprise that the generation of intellectuals after 1870 developed a new conservative sociology of politics. Its positivist theorists spared no effort to discredit democratic pretensions. William Graham Sumner borrowed from Darwin to criticize social reform. In Italy Gaetano Mosca updated Machiavelli's political analysis,

[3] Jacob Burckhardt, *Force and Freedom: An Interpretation of History,* ed. James Hastings Nichols, New York: Meridian Books, 1955, a translation of *Weltgeschichtliche Betrachtungen,* pp. 297-300, and pp. 256-300 more generally.

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while Pasquale Turiello yearned for a regenerative war. In France Hippolyte Taine repudiated the French Revolution, and Fustel de Coulanges praised the collectivist vigor and ancestral cults of the ancient city. A generation later Georges Sorel and Vilfredo Pareto heaped disdain on soft-minded bourgeois humanitarians. Other critics of liberalism proposed schemes for technocratic governance by experts. They sought scientific social intervention, championed imperialism and worried about eugenic decay. They despised left-wing reformers as self-interested demagogues and yearned for authority. They envisaged military competition as calisthenic and invigorating, the "sole hygiene of the world." So much hope had attended the creation of the new nation-states; how corrupt and shabby they seemed to be turning out!

CRITERIA OF MORAL CRISES

After having lived through its own Gilded Age in the 1980s, the United States should find the civic climate of the 1870s and 1880s familiar. Moral crises of democracy have since recurred periodically, in some cases localized, at other times across national boundaries. Dating them with precision remains difficult. Although they peak during the course of a decade or even more briefly, with their antecedents and ideological sequels they can take a quarter-century to play out completely. Not all characteristics need emerge simultaneously, and contemporaries often decry prejudice, corruption or other civic defects without discerning a systemic crisis. But symptoms were pervasive and deep enough to justify a diagnosis of moral crisis in Europe and the Western hemisphere during the 1870s and 1880s, in Central Europe in the 1920s and in Western Europe in the late 1930s, and during the past decade the West has at least created the preconditions for a new era of civic discontents.

Admittedly the typology remains imprecise. Critics will discern symptoms of decline in every passage of history, and jeremiads alone cannot substantiate the existence of a moral crisis. Insofar as they find a wide audience, they get taken as evidence for the conditions they denounce. The diagnosis of moral crisis is thus highly self-reflective.

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As such it is prone to exaggeration and must be invoked with caution. Still, one can go beyond cultural commentary to discern a profound shift of public attitude along three dimensions: a sudden sense of historical dislocation, a disaffection with the political leadership of all parties and a recurring skepticism about doctrines of social progress. Each of these developments tends to entail the others such that they hang together as a whole.

Moral crises, to consider the first dimension, are marked by a feeling of historical aftermath and disorientation. Intellectuals share a widespread perception that a great historical moment has been succeeded by a shabby era of routine transactions—poet W. H. Auden's "low dishonest decade." There is a gnawing conviction that great causes have either been achieved ("the end of history") or betrayed; in any case they are over.[4] Public activity seems to amount to the street-sweeping required after a great confetti-strewn triumphal parade.

The sensation of letdown usually follows some supreme national experience. Italian and German unification, the American Civil War and other struggles of the era from the late 1850s to 1870 defined or renegotiated the nation-states of the West (and Japan). "We shall not succeed in banishing the curse that besets us, that of being born too late for a great political era, unless we understand how to become the forerunners of a greater one," wrote Max Weber in his inaugural lecture of 1895.[5] So too, the First World War, with its grandiose claims of transforming states and international relations, could not but leave a later spiritual vacuum. Participants often felt ignored and devalued. Latecomers shared a sense of missing out, the need to generate a new crusade or sometimes just to discredit the old one. In the aftermath of 1989's collapse of communism, a similar feeling of anticlimax has succeeded initial euphoria.

In periods of moral crisis international politics no longer offers familiar principles and alignments. Not only have the great simplifying struggles passed, but the new issues are less clear-cut and harder to order using grand principles. Restructured nation-states change their

[4] Francis Fukuyama, *The End of History and the Last Man*, New York: Free Press, 1992.

[5] Max Weber, *Gesammelte Politische Schriften*, 3rd ed., Johannes Winckelmann, ed., Tübingen: Mohr Siebeck, 1971, p. 24.

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relative power, and major countries have to negotiate predictable new coalitions, usually only after painful faltering and expedients. The new complexity encourages irresolution, which in turn bequeaths a sense of collective failure, as the years of appeasement sadly demonstrated. Whether the arguments for restraint and accommodation in the 1930s were well-founded or shortsighted, they left a corrosive feeling of inadequacy. Similarly, no matter how imposing the practical difficulties of intervention, most Western onlookers have felt soiled by their passivity during the ferocious assault on the Bosnian Muslims. High hopes for Europe seem hollow before this lack of capacity or volition. So they did after Ethiopia, the Spanish Republic, Austria and Czechoslovakia were wiped out in the late 1930s. Once undertaken, the struggle against Nazism helped to expiate and overcome the moral crisis of the late 1930s. What equivalent recuperation will be possible now is not at all clear.

After the collapse of communism, anticlimax has succeeded initial euphoria.

Moral crises reveal, as their second dimension, a broad distrust of political representatives regardless of ideology. The moment of opportunity for the nonpolitical politician arises. In this respect the moral crisis might seem to constitute a reaction by civil society against its political class. However, the roots of distrust spring from more primitive resentments than civil society. They are tribal, not associational, and thus not to be identified with the process that East Europeans carried through in the late 1980s. The East European project involved reclaiming political activity through the empowerment of voluntary associations. The moral crisis involves a rejection of the nomenklatura or political class on behalf of territorial loyalities and idealized local ties.

One major expression of this distrust of elites emerges as a new impatience with long-tolerated patterns of corruption. Bribery and kickbacks, which had long been shrugged off or ignored as a transaction cost of public business, now become perceived as an intolerable symptom of decay. The press focuses on corruption, and trials and interrogations confirm the general distrust of political and financial leaders. *Mani pulite* ("clean hands"), the massive anticorruption drive in Italy, prodded a long-overdue scrutiny of the representational sys-

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tem. The Recruit scandal in Japan has shaken decades of unquestioned Liberal Democratic clan rule. Such upheavals can be constructive if they lead to durable reforms; often, they yield just a few spectacular trials and a brief housecleaning; in today's circumstances they can amplify the revulsion against the political class as a whole.

Periods of moral crisis are marked most profoundly by seismic shifts in intellectual orientation and social thought. In this climate conservative critiques of mass politics tend to seem more persuasive, while ideologies of the left lose their credibility. Collectivist ideas and movements fragmented in the 1870s and 1880s. In our current era, Marxism flagged as a plausible ideology at least a decade before the communist systems collapsed. Intellectuals more generally abandon their commitment to ideas of progress and projects for equality. Again, complexity overwhelms. Reformers tire of difficult causes or become overwhelmed by contemplating the evils that have accompanied them. They see the French Revolution exclusively in terms of the Reign of Terror, socialism exclusively as the Gulag—the perception always insisted on by conservative critics, but now wearily acquiesced in by leading journals of opinion and intellectuals who had long sought to uphold distinctions.

Relatedly, there is a new stance toward historical knowledge as a form of public self-awareness. Historical writing is prized more for its narrative and evocative capacity and less for its explanatory possibilities. Practitioners renounce earlier (or later) social-scientific ambitions; they focus on the discipline's elegiac mission. History today thus becomes the basis for a memory industry which seeks to recreate mood and feeling. Readers ask less analysis and more evocation. Landscape and place seem more compelling; the past, more viscous.

Responding to similar impulses, political and social analysts tend to abandon their earlier confidence in reform for an emphasis on social intractability. Social stratification earlier attributed to unequal opportunity seems far more difficult to overcome and is ascribed to more persistent categories. Classes harden into apparent castes; racial and ethnocultural distinctions are interpreted as the fundamental social reality, to be celebrated by some, taken as a challenge for policy by fewer, acquiesced in by more. The issue in each of these generalizations is not

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the truth or error of the analysis, but the recourse to it and the consequences that are drawn. Social stratification, criminality and violence seem so overwhelming that they require deep structural explanation. But in contrast to earlier periods of reform, fewer political leaders believe in institutional reform. More police and harsher sentences in the United States, limitation of asylum and residence rights in Germany and France, exemption of wealthier regions from the burdens of the poorer in Italy, all emerge as the counsels of realism.

Finally, ethnocultural generalizations yield to biological ones: distinctions are increasingly defined as genetic, and sciences emphasize the biological bases of behavior, including deviance. Professional anthropology, which started in the 1860s with an emphasis on the unity of mankind, evolved by the 1870s and 1880s into a study of the distinctions between higher and lower races. Today's laboratory researchers announce that they have discovered the putative gene for alcoholism or homosexuality wending its insidious way through strands of DNA. Liberals are relieved that the burden of individual guilt can thus be mitigated, but sometimes fail to think through the ethical or policy implications of the alleged finding. Sociobiology is extended as a key to explain all human behavior. The issue here is not whether these contributions are sound or not; very few can resolve that question. But the interest in the experiments and the supposed results reflects a renewed skepticism about the possibilities for purposeful social reform, change that significantly enhances equality of outcomes. Today's conventional wisdom is deeply conservative.

Some commentators here and abroad celebrate social pluralism as multiculturalism (German Greens are into *multikulti*) and urge going with the fragmented flow. Others lament the loss of a common civic allegiance and hope to reverse the current. Both stances recognize a sense of decomposition and the loss of a hitherto functioning civic myth. If societal divisions are presumed to be grounded in nature or in ancestral culture, neither side should be surprised that the only settlement of conflicting claims must ultimately be by force or territorial partition. Territory becomes the one adjustable variable, since society cannot overcome its biological or cultural diversity. And whereas territorial adjustment used to involve the conquest of irredenta from

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their foreign masters, now it involves civil war or negotiated secession. Sometimes the relatively disadvantaged want to renegotiate or dismantle the federal pact, as in the former Soviet Union, sometimes the relatively advantaged (the Lombard League), sometimes both (Alberta and Quebec, Slovakia and the Czech lands).

All these symptoms, it will be noted, involve changes in collective attitudes and psychology. The shifts in public mood may correspond to the discovery of real constraints. An intoxicating historical victory—1865, 1871, 1918, 1989—may indeed bequeath an aftermath of quotidian politics and new resentments. Corruption and criminality may indeed have become more brazen; it may have attracted or recruited ethnic outsiders. Nonetheless, the perceptions and reactions constitute the crisis, not the phenomena in their own right. Societies make their peace with objective pathologies for many years and decades. The mafia extracts tribute, politicians get kickbacks, inequality remains. (Revolutionary crises, after all, occur not necessarily as inequality peaks, but when it becomes perceived as unacceptable.) A moral crisis indicates that patience has run out.

This observation leads to the final characteristic of a moral crisis: open-endedness. Moral crises, with their sense of collective disillusion, can generate heightened xenophobia, a surly distrust of institutions, a cynicism about politics, a resentment of elites. Societies can slip deeper into despair over ethnic or ideological pluralism. Surprisingly, however, a moral crisis can also provoke societies to recover the public commitments they earlier abandoned. Moral crises are grave, but not necessarily lethal, and if some have undermined liberal democracy, others have prompted, albeit belatedly, a renewed sense of civic mission. Under committed leaders, societies can seek to remoralize politics, to overcome legacies of corruption or entrenched patterns of racism or withdrawals into isolationism. The politics of resentment and of renewed moralization are both possible responses to moral crises of democracy, and sometimes they can follow each other.

PRINCIPLES IN CONTENTION

ELEMENTS OF moral crisis, if not the entire syndrome, recur periodically, from the disillusionment after Versailles to the resentments

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of the McCarthy era. Ultimately, however, the great international struggles of 1914 to 1989—the First World War, the struggle against Hitler and imperial Japan, the Cold War—subsumed or redirected the recurring impulses of moral crisis and political disorientation. The long war (a harsher view of what John Gaddis has termed "The Long Peace") imposed urgent political and military tasks on Western publics, justified activist state policies and imposed common ideological agendas.[6] The moral crises of democracy, in contrast, comprise a flight from politics, or what the Germans call *Politikverdrossenheit:* a weariness with its debates, disbelief about its claims, skepticism about its results, cynicism about its practitioners. It should not be surprising that the temptation to escape the political should revive as the discipline of the Cold War fades.

Disillusion with politics by the 1990s has undermined successive sets of expectations. Contemporary disaffection no longer focuses on the state's claim to regulate economic activity, which was preeminently contested in the 1970s and 1980s. Marxists, social democrats and reformers of every stripe then underwent a chastening process of reeducation and emerged purged of their earlier confidence in the state. Confident young economists and editors assured them that the market could best allocate most collective as well as private goods: access to land, to resources, to the radio and television spectrum, to education. For now a minimal consensus has been reached on the primacy of markets with a continuing regulatory role for government. Skepticism about politics in the 1990s reverts instead to questioning the most basic task of government, that of assuring peace over a given territory on anything other than the most ethnically exclusive basis. Every country, in this vision of despair, tends toward a *Volksgemeinschaft* or toward hopeless civil strife. Samuel Huntington recently claimed in this journal that the West confronts a new conflict among civilizations, not easily overcome.

Must this somber a prognosis be accepted? What outcome should one expect from contemporary civic discontents? Moral crises do not

[6] Compare G. John Ikenberry, "The Long War," Council on Foreign Relations discussion paper, and John Lewis Gaddis, *The Long Peace: Inquiries into the History of the Cold War,* New York: Oxford University Press, 1987.

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necessarily doom liberal regimes, but they provide a powerful opportunity for political outsiders to capitalize on the perceived defects and corruption of "the system." Outside political entrepreneurs can combine several appeals: they claim to represent success in the managerial or commercial world where competence is really tested, they can mock the parasites "inside the beltway" or ensconced in legislatures and bureaucracies who have made a living out of public office, and they plausibly claim to transcend old partisan or class divisions in the name of an underlying national interest. This familiar rhetoric mingles accents of renewal and derision.

Electorates today remain poised between contending visions of political community. If the traditional parties that speak for reenergizing the public sphere can produce plausible and attractive leaders, they can channel public dissatisfaction into an era of renewed reform. This was the American outcome in the 1930s and the early 1960s, and I, for one, hope that the United States shall later be able to claim it was the result of the 1990s. Throughout this century, indeed through the nineteenth as well, reform coalitions periodically mobilized to open the political system, enlarge the boundaries of effective citizen participation, spread the benefits of economic progress. In each Western country, success required augmenting the normal constituencies of the left with the concerned electorate of the center. These coalitions worked for distributive change, for the reallocation of privileges and wealth and the expansion of public goods. But even these intervals of reform have been cut short either by war or by their own inner tensions. For the reformist coalitions tend finally, as they did by the 1970s, to result in a rash of social movements and contradictory economic outcomes that lose the reformers their centrist supporters. In the aftermath of these difficulties, former reformist and radical intellectuals repent of their earlier enthusiasm. They are literally de-moralized but now to the benefit, not of traditional conservatives as a decade ago, but increasingly of apparently diverse movements and political entrepreneurs: in the ex-Eastern Bloc countries, former communist apparatchiks reborn as national populists; in the West, vociferous regionalists and highly successful business and media leaders.

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TERRITORIAL POPULISM

DOES COMMON POLITICS unite such diverse challengers? Their common theme is that the average voter has lost control of the political and economic forces that control his life; parties in power have become absorbed only in perpetuating their tenure; outside peoples and abstruse concepts have achieved too great an influence. Identity—defined as the expectation of predictable relationships within a given spatial domain, familiar faces in familiar places—must be defended. The remedy is to realign a meaningful territory and political voice. If this is populism (the term is imprecise, but alternatives are difficult) it is territorial populism: the politics of turf in the broadest sense.

Territorial populists rally supporters in reaction to the fragmentation of social cohesion for which reformist policies are blamed. They claim to simultaneously fight for jobs at home, scrape away encrusted bureaucracies and overcome social fragmentation. Whether through xenophobic appeals, regionalism or a rejection of supranational economic commitments, they reaffirm the validity of a bounded political domain. They contest the perceived diffusion of decision-making to supranational authorities or offshore enterprises. They promise to restore a sense of identity and to repatriate decisions to a cohesive community on a familiar home territory. "*Ein Volk, ein Reich, ein Führer*" was once the most ruthless of such rallying cries; it expressed the most rigorously simplistic answer to the moral crisis of the post-World War I era. But every moral crisis generates territorial populism as a political nostrum. And sooner or later it tends to single out as deviant and subversive those groups on the ethnic territory that stand for complexity and alternative principles of solidarity: immigrant communities and vulnerable minorities, Jews, homosexuals and the old imagined conspiracies of Masons and intellectuals that seemed so insidious in Franco's Spain and Vichy France. One can hear the echoes of this sad discourse even in present-day Italy.

In theory, territorial populism can remain tolerant and reformist, but it skids easily to what is thought of as the right. Familiar right-wing motifs tend to reemerge: an appeal to ethnic exclusiveness, the desire to reinvigorate the national unit, the contempt for the existing

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parliamentary class. American sociologists in the 1950s referred to a "new" right, but it is no longer new. Some of the contemporary territorial populisms, though not all, are reliably neo-fascist; they rehabilitate the records of the interwar fascist leaders; their participants threaten violence as a political recourse; they allow themselves the unbridled contemptuous language that was part of the fascist or Nazi repertory. These harsh tonalities of politics emerged in the first era of moral crisis during the 1870s and 1880s; they marked the language of Action Française, Austrian political anti-Semitism, Italian fascism and German national socialism; the contempt is heard among some of the ideologues of the Northern Leagues and National Alliance, and of course from Mr. Zhirinovsky. On the other hand are many leaders who eschew this violence, who modulate their appeals or who adopt the cracker-barrel wisdom of the down-home businessman or the flashy success of the modern media czar. They avoid authoritarian rhetoric, but appeal to a plebiscitary support for national salvation.

Territorial populists claim to fight for jobs, scrape away bureaucracy and overcome social fragmentation.

Fascism, recall, emerged as a specific historical movement in an adversarial relationship with an energized socialism and communist left, the foe whose success in 1917-18 helped trigger fascism's own historical appearance, but with which fascism shared repressive attributes. The new territory champions arise in a moment of leftist exhaustion; they reject the complex multiethnic societies fascism also attacked, but they currently face no major ideological adversary. Just as the postwar years in Eastern Europe sometimes witnessed the phenomenon of anti-Semitism without Jews (or with very few), the current nationalism is a right without a left. Nonetheless, the fact that five years after the fall of the Berlin Wall one sees the spread of political formations so reminiscent of interwar nationalist authoritarianism remains one of the stunning surprises of post-communist history. And that some of the formations that openly admire the interwar dictators should be participating in governments in countries where these predecessors once ruled is doubly astonishing. A new right? Yes, but at the same time it is a retro-right.

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Not every moral crisis deepens sufficiently for territorial populism to prevail. However, periods of moral crisis tend always to provoke such a coalition as an inherent component of their historical dynamic. The political effort to impose an imagined territorial cohesion is in fact a key indicator of such crises. This does not mean that the territorial populists will win in the long run; they may indeed represent hopeless responses to a resolute choice of complexity and cosmopolitanism. Pat Buchanan and David Duke enjoyed only evanescent celebrity status. So far support for the German right remains below 10 percent, as its successive avatars have since 1950. The Front National has given French citizens and observers a few frissons but has not gained significant parliamentary strength. In the United States, Franklin Roosevelt trounced the uneasy coalition of nativist populism in 1936, and President Clinton will presumably repeat this achievement in 1996. But no matter what the outcome, the contest cannot be fun. It touches ugly chords of prejudice, it raises nationalistic instincts that the West has not had to contend with for many decades, and it introduces an element of incalculability into each country's public life and into the relations of nations with each other. During moral crises and their aftermath, the advocates of cosmopolitanism and compromise, pluralism and rationality are never in full control. Nonetheless, tenuous leadership is no mean achievement. It would be far more perilous to try to outbid territorial populists, for such a policy will always skid out of control.

DEMOCRACY BEYOND BORDERS

To overcome a moral crisis is to rehabilitate principles of civic allegiance that look beyond the control of territory. If the United States is to serve as an anchoring force in global civil society, it must provide a plausible alternative vision to territorial populism abroad as well as at home. That means reaffirming commitments to civic inclusiveness, not just ethnicity; avoiding retreats into protectionism; encouraging common international projects and loyalties beyond ethnic or even cultural kinship. American policy should redefine the Wilsonian agenda that justified early U.S. ventures into great-power politics and

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whose concept of self-determination still remains so appealing, such that self-determination is separated from its original territorial focus. Such an approach cuts against the grain of contemporary micronationalism, but by the mid-1990s proposals for ethnic aggregation or the encouragement of multiple territorial loyalties are more urgent than disaggregation.

It is time for confederalism, cantonization and overlapping citizenship claims to receive more creative attention. Of course, the idea of encouraging confederal frameworks will appear utopian when warring ethnic groups are determined to seek exclusive territorial states. Nonetheless, frameworks for ethnic reaggregation—if only in regional economic institutions at first—will seem appropriate once again, and pressures toward reconstruction of units that are now merely battlegrounds will become pressing agenda items. As confederal structures reemerge, they might well include participants that are not drawn directly from the contested territory. The Council on Security and Cooperation in Europe and the European Union have roles to play beyond their original purview in helping to organize such structures in Europe, and their delegates should play a role as continuing board members, as should U.S. nominees. The appropriate levels of aggregation and boundaries will be contested in every case. To grant every people its own sovereignty is not feasible, but they can have their representation, their cultural institutions, a share of the public purse and a delegation in international overarching structures such as an enlarged European Union, CSCE or analogous institutions that might be constructed elsewhere. Indeed, the formation and strengthening—the widening and deepening—of such institutional networks might eventually help democracies combat the anomie that has permitted indifference, tribalism and fragmentation to advance. This recovery will not be quick or easy; moral crises of democracy tend to be protracted and contagious. They will only be reversed by a commitment beyond borders and across frontiers.

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Germany's Choice

Timothy Garton Ash

A HISTORIC MOMENT

THE GREAT FOREIGN policy debate in Germany has only just begun. In fact, the very nature of the foreign policy actor—Germany—is still disputed. Is this a new Germany or just an enlarged Federal Republic? After the first unification of Germany in 1871 it was clear to all that Europe had to deal with a new power. For all the underlying continuity of Prussian policy, the new German empire, or second Reich, was not just Prussia writ large.

Following the second unification of Germany, the change has been much less immediately visible. Externally, this unification was achieved by telephone and checkbook rather than blood and iron. Internally, the constitutional form of unification was the straight accession of the former German Democratic Republic to the Federal Republic. The larger Federal Republic continues to be integrated in the European Union (EU), NATO and other leading institutions of Western internationalism. Nor has much changed on the surface of everyday life in western (formerly West) Germany. Last but not least, there has been the emphatic continuity of government policy so massively embodied by Chancellor Helmut Kohl—in all senses one of the largest figures in European politics today.

This year Germany has no fewer than 19 elections, culminating in the national election on October 16. The present conservative-liberal

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coalition—composed of the Christian Democratic Union, the Christian Social Union and the Free Democratic Party—is not certain to return to office. Yet Kohl's Social Democrat rival for the chancellorship, Rudolf Scharping, is going to extraordinary lengths to reassure German voters and the outside world that there will be almost no change in German foreign policy if his party comes into power.

In time, however, the deep underlying changes in the country's internal and external position must affect Germany's foreign policy. Even if foreign policy is not itself a major election issue, the elections will catalyze the process.

WHAT'S IN A NAME?

WITHIN GERMANY, analysis and prescription are inextricably intertwined. Claims about what Germany is are also assertions about what Germany should be. The state in question continues to be called Bundesrepublik Deutschland, which is officially translated as "the Federal Republic of Germany," but is literally "Federal Republic Germany."

Some argue passionately that what really matters in the name is still the "Federal Republic": a post-national democracy with constitutional-patriotism in place of nationalism and state sovereignty devolved both downward to the federal states and upward to "Europe," meaning the EU. Others say that what really matters now is the "Germany," which should aim to become a "normal nation-state" like Britain or France, with all the traditional attributes of sovereignty, a great capital called Berlin, plain unhyphenated patriotism and the responsible but determined pursuit of national interest. Most fall somewhere in between, both seeing that Germany has and feeling that it should have a new mixture of the two, as the state name implies. But what mixture?

This Germany is larger, more powerful and more sovereign, and it occupies a more central geopolitical position than the old Federal Republic. Some German commentators have sweepingly asserted that Germany is now back in the old *Mittellage* of the Bismarckian second Reich: that fateful monkey-in-the-middle situation to which a long line of conservative German historians have attributed the subsequent,

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erratic and finally aggressive foreign policy of the Reich. Others say that Germany is again a central European state, or even the center of Europe. Such striking claims need to be examined skeptically.

The leaders of the old Federal Republic were always deeply conscious of Germany's Cold War position as the divided center of a divided Europe and Berlin's position as the divided center of the divided center. The foreign policy of the Bonn republic was made under constant tension between its western and eastern ties. The Bonn government was vulnerable to blackmail from Moscow and East Berlin. Today Germany has no such dependency on the East. The last Russian soldier will leave Germany by the end of August 1994. In terms of its constitutional order and international ties, Germany is now more fully in the West than it was throughout the Cold War.

Many German politicians like to say that Germany's integration into the West, and specifically into Europe—that is, EU-rope—is irreversible. Since European history offers few examples of the irreversible integration of states into larger entities, and since the years following the end of the Cold War have been rich in examples of the opposite, this claim is bold, if not foolhardy. To observe that the West sorely misses the Soviet negative integrator has become a truism. Nonetheless, the single market and political institutions of the EU, the integrated command of NATO and all the associated habits of permanent cooperation are different in kind from earlier alliances between European states.

Geographically, this Germany also lies more to the west than did the Bismarckian Reich. A glance at the historical atlas shows Germany sprawling across east-central Europe, with Prussia stretching into what is now Lithuania and the Russian territory of Kaliningrad (formerly Königsberg). Today's political map shows a compact territory west of the Oder and Neisse rivers and the diamond wedge of Bohemia. Germany still faces sensitive special eastern issues, but the country's center lies westward.

In 1967 Federal Chancellor Kurt Georg Kiesinger observed that a reunited Germany would have a "critical size . . . too big to play no part in the balance of forces and too small to keep the forces around it in balance by itself." Exactly so. Germany is now the most powerful coun-

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try in Europe. But it is not a superpower. It has great assets in each of the three main dimensions of power—the military, the economic and the social. But it also has special liabilities in each department.

Militarily, Germany has some of the largest and best-armed forces in Europe. However, in the "2 plus 4" unification treaty, the new Federal Republic solemnly reaffirmed the old Federal Republic's commitment not to acquire atomic, biological or chemical weapons. This may change. One cannot take post-Hitler public abhorrence for national military power as a permanent given. If Germany were not, in the longer term, to seek enhancement of this dimension of its power, to complement or buttress the other two, it would be behaving differently from most large states in history. But for the moment, several statements can be made with confidence. Germany is not in the world super league of military power. It is still virtually unthinkable that a German government would use force or the threat of force unilaterally to achieve a national goal, except the defense of its own territory. Any qualitative upgrading of its military power, including some form of control over nuclear weapons, would almost certainly come in a multilateral (probably European) context.

The Bundesbank has made foreign policy by not making foreign policy.

Economically, Germany is in the super league, and this power has been actively deployed, although in two distinct ways. First, economic instruments and incentives have been liberally and skillfully used by the German government to achieve its foreign policy goals. Second, the Bundesbank's single-minded pursuit of domestic monetary and fiscal policy objectives has had a direct impact on the economies of Germany's neighbors and trading partners, and hence on the country's foreign relations. The Bundesbank has, as it were, made foreign policy by not making foreign policy.

However, Germany is now afflicted by a double economic crisis. There is, obviously, the massive cost of incorporating and reconstructing the former East Germany. But there is also, less obviously, the crisis of the old West German "social market economy," which was already beginning to lose its competitive edge before unification.

Experts differ on how far and how fast Germany will surmount this

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double crisis, but for the next few years the consequences for foreign policy are clear. If Germany is still most unlikely to use guns as an instrument of foreign policy, neither will it be so ready to use butter. All decisions, including those inside the EU, will be scrutinized more closely for their impact on German budgets and competitiveness in European and world markets.

The third dimension of power has to do with the overall attractiveness of a particular society, culture and way of life. Its crudest measure is the number of people inside a country who want to get out compared to the number outside who want to get in. (One might call this the Statue of Liberty test.) In the 1980s this was a vital component of German power. Germany, seen in 1945 as a threat and a synonym for horror, had by 1985 become a model and magnet (West Germany, that is). When in 1989 people east of the Iron Curtain spoke of returning to Europe and normality, West Germany was a central part of the liberal, democratic, civil and bourgeois "normality" they had in mind.

But this achievement too is under stress. The exemplary openness and civility of the old Federal Republic have not yet been restored across its larger territory. This failure is not simply a case of easterners exhibiting the pathologies of post-communism. It is as much a problem of the condescending and at times frankly neocolonial attitudes of westerners toward easterners. There is more than a grain of bitter truth in the joke that when in 1989 the East Germans started chanting, "We are one people," the West Germans replied, "So are we."

The seemingly open, tolerant, civil society of the old West Germany has, in the last four years, too often looked like a spoiled, defensive consumer society, both demanding and assuming perpetual economic growth while yearning for the lost comfort of living with one's back to the Berlin Wall. Where easterners and westerners have found common ground, it has sometimes been in scapegoating the foreigners who have been admitted to the country in large numbers but given citizenship less liberally. At times, it seems as though the Federal Republic has grown in size but shrunk in spirit. These strains and the extreme voices they breed on the right and left will play into the political process through this year's elections. A nation still preoccupied with becoming one nation may

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have less time and patience, as well as less money, for foreign policy.

The Random House Dictionary of the English Language, published in 1968, memorably defined Germany as "a former country in Central Europe." Today Germany is a country in west-central Europe. In fact, together with Austria, it is west-central Europe. It is a Western state, but one directly confronting many of the problems characteristic of the former communist East. A troubled, medium-heavyweight power—and a nation in its perennial condition of becoming.

PROCESS, TRADITION AND CHOICE

WHAT FOREIGN POLICY will be made on these substantial but shifting foundations, and how will it be made? It is sometimes suggested that Germany lacks a political class or internationalist elite such as can be found in Paris, London or Washington. Yet Germany does not want for highly sophisticated, knowledgeable, multilingual practitioners and analysts of foreign affairs (including many of those who make this criticism).

It is true that a middle generation of politicians is coming into power with little experience beyond the professional party politics of the Federal Republic. But the same could be said of Kohl when he came to Bonn and of many American presidents. Some learn on the job. It is true that no one in Germany expected or was prepared for the quantum leap in Germany's power and responsibilities following unification. But neither were American elites prepared for the United States' quantum leap in the second half of the 1940s. They rose to the occasion.

Germany has a much less clear preponderance of wealth and power than the United States did a half-century ago, and a far more difficult geopolitical situation. But something of the human challenge for leadership, and the excitement that goes with such a challenge, is palpably there in Germany (and palpably not in France or Britain). Besides the question of personal qualities, however, there are those of process and tradition.

The foreign policy process in Germany labors under some disadvantages familiar to other Western democracies. As in all television

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democracies, German politicians often seem to be following public or published opinion rather than leading it. (It was this, and not any subtle or sinister calculation of national interest, that prompted Germany's initiative for the diplomatic recognition of Croatia in 1991.) The fact that responsibility for foreign policy is divided between a chancellor and a foreign minister from different political parties can on occasion make for more heat than light. And both the Bundesbank in Frankfurt and the constitutional court in Karlsruhe have become—rather against their will—important institutions in foreign policy.

Nonetheless, Germany has over the last 30 years pursued one of the most consistent foreign policies of any Western power. As a result, it has a well-formed foreign policy tradition. This tradition, a blend of Adenauerian Westpolitik and Brandtian Ostpolitik, has several distinctive features. Besides the renunciation of force and the pursuit of reconciliation with former foes, there is what one might call attritional multilateralism. German diplomacy has excelled at the patient, discreet pursuit of national goals through multilateral institutions and negotiations, whether in the European Community, NATO or the Helsinki process.

Germany has pursued one of the most consistent foreign policies of any Western power.

Closely related to this is the habitual conflation of German and European interests. In the German case, this policy has not merely been the familiar old European game of pursuing national interests in Europe's name. In postwar German politics there has also been a great deal of genuine idealistic commitment to the process of European integration. But for that very reason, German policymakers have sometimes found it difficult to distinguish between the one and the other.

At the same time, running like a leitmotiv through the history of the Federal Republic has been the effort, under all chancellors, to widen the bounds of German sovereignty and power. Certainly, German chancellors were at the same time busily and demonstratively surrendering elements of sovereignty to Europe. But the paradoxical effect of this readiness to surrender sovereignty was to convince Germany's key allies and partners that Germany could again be trusted with full sovereignty. It was by laying on the golden handcuffs

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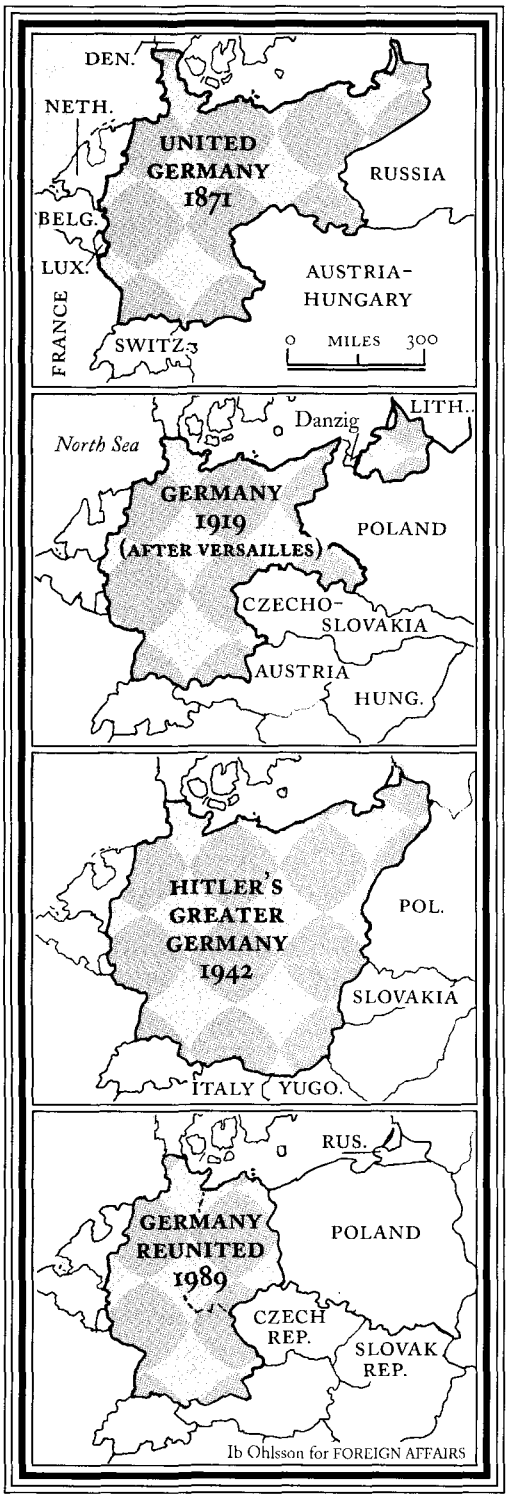

that Germany set itself free.

Also ingrained in this tradition are the politics of *sowohl-als-auch*: not either-or, but as-well-as. The essence and great achievement of Genscherism was to maintain and improve Germany's ties with a wide range of states, which were themselves pursuing quite different and contradictory objectives. This complex balancing act involved saying somewhat different things in different places. Fudge was the hard core of Genscherism. This may not always have endeared Bonn to its more plain-spoken friends, but such an approach was well-suited to the achievement of Germany's aims in the last two decades of the Cold War.

This foreign policy culminated in a success beyond the dreams of those who made it. So it is not surprising that the first inclination of German policymakers was to stick with it. Even after the retirement of Hans-Dietrich Genscher in 1992, the motto of the foreign ministry was, "Herr Genscher is gone, long live Genscherism!"

Yet the policy that served the old Federal Republic so well is less appropriate for the new one. The state's external dependen-

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cies have been decisively reduced, but the external demands on it have significantly increased, and the resources to meet those demands have not grown commensurately. In the short term they have shrunk. The conclusion should be plain: the Federal Republic can and should make clearer choices than in the past. These are not absolute "either-or" choices—to some extent, all major states have to genscher—but choices of priorities: between the demands of its special relationship with the United States and those of its special relationship with France, between deepening the existing European Union around the Franco-German core and widening it to include Germany's immediate eastern neighbors, between relations with east-central Europe and those with Russia. Not all these things are compatible. Certainly not all can be done at once.

The obvious starting point for determining such priorities would be a definition of the national interest. However, the German national interest is particularly difficult to define when the nation itself is still in the making. Moreover, in Germany merely stating that one should define the national interest is controversial. Those who believe that the Federal Republic is or should be a post-national democracy on the path to a genuine European union regard the very notion of defining the national interest as suspect, retrograde, even reactionary. On the other hand, those who wish to see Germany become a normal nation-state use the idea of defining the national interest almost as a campaign slogan.

Yet this argument is itself a sign that a major foreign policy debate is slowly getting under way. In newspaper columns, speeches and Germany's ubiquitous television talk shows one can hear echoes of some of the great debates of the 1950s and 1960s—the Charlemagne school of West European integrationists, the German Gaullists, the Atlanticists, the Ludwig Erhard economic *mondialistes*—as well as snatches of much older tunes.

FOUR OPTIONS

To SHARPEN THE debate let us consider four possible priorities for German foreign policy after 1994, with several factors militating for and against their adoption.

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Carolingian Completion

For this school, the top priority would be a decisive further deepening of the existing European Union around a Franco-German core. Germany, France and the Benelux countries would go ahead of other member states, in the variable-speed Europe for which the Maastricht treaty in fact allows. Monetary union would be achieved in this core group around the end of the century, and prove a decisive step—as it was in German unification—toward political union. In ten years one would have, if not a United States of Europe, then at least a Confederal Republic of North-Western Europe—Charlemagne's empire in a new form.

For: This has been the personal top priority of Helmut Kohl and seems to be high on the personal list of Rudolf Scharping. (Not accidentally, both men have been prime minister of the western state of Rhineland-Palatinate, a region with close historical ties to France.) The Paris-Bonn axis has a 30-year track record and personal and institutional momentum. This simplistic version of Europe as an answer to the German question still has some appeal: it looks like somewhere for Germany to go. Maastricht, wrote President Richard von Weizsäcker, offers Germany "the chance of being delivered from the *Mittellage*."

Against: The Franco-German relationship has been rocky since German unification. It is far from certain that the Euro-idealism of the middle and younger generations in Germany is as widespread or deep as that of the immediate postwar generation. In this respect Helmut Kohl begins to look like a magnificent dinosaur. His likely successors have a more hard-nosed view of the EU. So do many of Rudolf Scharping's colleagues in the leadership of the Social Democrats.

More broadly, over the last two years Germany has experienced the popular reaction, also seen elsewhere in Europe, against the Messina-to-Maastricht model of functionalist, bureaucratic European integration from above. An appeal to the constitutional court against the Maastricht treaty meant that Germany was actually the last country in Europe to ratify it. The court produced a complicated judgment that nonetheless drew a clear line against any automatic progress to monetary union. As German budgets are squeezed, there is growing

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resentment of the outsize German contribution to the EU's budget. The outspokenly Euro-skeptical Bavarian Prime Minister Edmund Stoiber, sometimes jovially dubbed "Edmund Thatcher," is an extreme case, but not simply an aberration.

German banking and business circles are also far from enthusiastic about European monetary union. By and large, they think a single market can operate perfectly well without it. Further steps toward economic, monetary and social policy harmonization in the EU are not calculated to sharpen Germany's competitive edge in other markets.

Underneath, there is the deeper matter of sovereignty. It is one thing to surrender sovereignty in order to regain it. But has Germany now regained sovereignty only to surrender it? Even for the world's most dialectical nation, this may be a twist too far.

Wider Europe

Whatever anyone says, there is a day-to-day tension between concentrating on deepening or on widening the EU. This brings us to a second possible priority: widening the EU and and NATO to include Germany's eastern neighbors. Germany would do everything in its power to ensure that within ten years the Czech Republic, Poland, Hungary, Slovakia and Slovenia would follow Austria, Sweden, Norway and Finland (the "EFTAns") into the European Union, the West European Union and NATO. Beyond this it would try to help the Baltic states, Romania, Bulgaria, Albania and, if they really became peaceful democracies, Croatia, Serbia and Bosnia, to prepare themselves to follow over the next decade. Europe would be built from EU-rope out.

Naturally, this approach would involve further derogations from the idea of the single *acquis communautaire*, with long economic transition periods for new member states and further special provisions of the kind seen in every earlier round of enlargement. Nonetheless, Germany would aim to preserve, in this Europe of more than 20 states and 400 million people, the present historically unprecedented level of permanent, institutionalized interstate cooperation, with major elements of economic and legal integration.

For: Germany has already shown a major interest in enlargement. Foreign Minister Klaus Kinkel was instrumental in pushing the nego-

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tiations with the EFTAns to a successful conclusion. Building on the achievements of a quarter-century of Ostpolitik, Germany has over the last four years played a leading and constructive role in east-central Europe (some problems connected with present or past German minorities notwithstanding). It has an obvious vital interest in having peaceful, stable democracies at its eastern frontier. Poland is now less than an hour's drive from Berlin—or a few minutes by fighter plane. It is no accident that the German defense minister, Volker Rühe, was the only senior Western minister to come out clearly in favor of a rapid enlargement of NATO to include Germany's eastern neighbors.

Perhaps there is still a little gratitude for what brave Poles, clever Hungarians and principled Czechs did to make German unification possible. The (exaggerated) fear of mass immigration from the east has also concentrated minds on this issue. Enlargement would expand the internal European market for German goods. German manufacturers are already taking advantage of the much cheaper skilled labor to be found just over the border by relocating production there. Last, but by no means least, Germany would be at the center of this wider Europe.

Against: This option would have substantial short-term costs. Unlike the EFTAns, these new members would definitely not be net contributors to the EU budget. Cheaper imports from east-central Europe could also undercut more expensive German products. In the short term, keeping industrial jobs in Bohemia could mean losing them in Bavaria. In the long term, such a bracing wind of competition would be good for the German economy, just as the North American Free Trade Agreement will be good for the American economy. But tell that to German trade unions and to voters already peevish about not getting richer.

Such an opening to the east would also be resisted by some of Germany's less economically developed EU partners. (Keeping agricultural jobs in Polish Galicia can mean losing them in Spanish Galicia.) As now constituted, the EU aggregates rather than transcends national, sectoral and regional special interests. Hence its continued overt and covert protectionism against eastern goods. Thus far, Germany's key European partner, France, has been extremely reluctant about enlargement, preferring to keep a smaller Europe with France still at its center.

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There is no major lobby for this option in Germany. Less tangibly, there is no great tradition of Germany giving priority to its poorer and weaker eastern neighbors. Historically, when Germany looked east, it looked to Russia; this brings us to the third possible priority.

Moscow First

This is the classic eastern option of German foreign policy. The new-old great power in the center of Europe develops a new-old special relationship with what is still the most powerful state in eastern Europe. In doing so, over the heads of the peoples between, it argues that such a policy best serves the interests of Europe, indeed of the world. For what could be more important than a cooperative, peaceful or, at least, stable Russia?

For: Perhaps there is still gratitude for Moscow having agreed to German unification. Some may still see a grand symbiosis between Russia's abundant raw materials and primary energy sources and Germany's know-how (Germany as Ivan Stolz to Russia's Oblomov). There is also that part of German foreign policy tradition that puts order before freedom. Finally, there is fear.

Against: This is the great development that has not occurred over the last four years. In 1989-90 there was real German-Soviet euphoria. Germany's western and eastern neighbors looked anxiously for signs of one of Europe's oldest special relationships developing out of "Stavrapallo," as the Kohl-Gorbachev accord of mid-July 1990 was dubbed. Subsequently, Germany has given the lion's share of Western economic assistance to Russia (although much of the German contribution has been specifically related to unification or tied to trade promotion). Helmut Kohl has tried to establish with the Russian president, Boris Yeltsin, something of the personal rapport he had with Mikhail Gorbachev.

But, if anything, the Bonn government has privileged the relationship with east-central Europe over that with Moscow. And if anyone has had a policy of "Moscow First," it has been the Clinton administration. In one of those curious transatlantic role reversals that happen from time to time, the United States has played Germany to Yeltsin's Russia, while Germany has played America to east-central Europe.

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If the Bill Clinton-Strobe Talbott gamble were to have paid off—that is, if Russia were set on course to become a cooperative capitalist democracy—then there would be a powerful case for Germany giving priority to its relations with Russia. But it has not, and it seems unlikely that it will in the foreseeable future. A strong but cooperative Russia would be a great partner for Germany. A weak but cooperative Russia could still be a partner. A strong but uncooperative Russia would be a sparring partner. But a Russia that is both weak and uncooperative?

World Power

Germany would give top priority to seeking both the rights and the duties of a world power, starting, of course, with a permanent seat on the U.N. Security Council. The Federal Republic would seize with both hands the United States' offer to be "partners in leadership." As once America was (reluctantly) prepared to "take up the White Man's burden" from Britain, to use Rudyard Kipling's disgracefully non-PC phrase, so now Germany would take up the GI's burden. This would mean enhancing its military power to match its economy, size and social magnetism. Thus equipped, Germany would be the captain of a great European trading bloc, dealing as an equal with the United States, the captain of the North American bloc, and with Japan and China, rival captains of the Asian bloc(s).

For: Such a prospect would appeal to many nations. The quiet widening of the bounds of German power has been a central purpose of the foreign policy of the Federal Republic for more than 40 years, and old habits die hard. The idea of Germany as a normal nation-state, taking its rightful place at the head table of world politics, is one of the two main visions of Germany currently being canvassed there.

The United States seems to have few qualms about German leadership in Europe; it has even pressed the role on it. This American encouragement is accompanied by the implied threat of a continued reduction of the American military commitment to Europe—an old familiar theme from the history of transatlantic relations, but more credible in the post-Cold War world.

This priority could find support among both the Atlanticist and the economic *mondialiste* tendencies in Germany. America, too,

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was historically drawn from being a continental trading state, protected by the military power of others, to doing its own protecting and power projecting.

Against: Germany is not like most nations. It has special burdens of history and self-doubt. Hitler and Auschwitz are less than a human lifetime away. For all the profound, historic changes in Germany, for all the trust in the liberal, democratic Federal Republic, many people around Germany and—quite as important—many Germans would be loath to see it even attempting to play such a role. Moreover, it is not big enough, not powerful enough, not rich enough. Germany does not even have that preponderance in Europe that America had in the world in 1945. If, however, the proposition were that of being junior partner to the United States, this policy would soon reactivate the complex but deep reactions known by the simplistic label of "anti-Americanism." The other three possible priorities seem closer to German concerns and better matched to Germany's means.

THE RIGHT CHOICE

WHAT, THEN, will Germany choose? It will, I think, choose not to choose. True to its foreign policy tradition, the Federal Republic will try to do a little of all the above. *Sowohl-als-auch*, or, in the immortal words of Yogi Berra, "If you see a fork in the road, take it!" This tendency will be strengthened by any likely outcome of the 1994 elections.

Even without Genscher, Germany will genscher. To some extent this is inevitable for a major power in Germany's complex geopolitical position. But with increased demands on limited resources, the danger is that by trying to do everything Germany will end up achieving nothing.

Moreover, to choose not to choose does not mean you make no choices. It means only that the choices will be made reactively, as a response to the combination of unexpected external developments (especially in eastern and southeastern Europe) and internal pressures from political, published and public opinion. Again, this phenomenon is not peculiar to Germany. In a way, it is further proof of the Americanization of the Federal Republic. That may be small consolation.

In a probably vain attempt to make this prophecy self-negating, I

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shall now take the liberty of saying what I think Germany should do.

I am deeply convinced that Germany should pursue the second option: giving top priority for the next 20 years to building a wider Europe, extending the EU and NATO eastward step by step.

Of course Germany could not do this alone. It would need to win the agreement and active support of the United States, France, Britain, Italy and, so far as possible, other EU partners, for this priority. American support should and probably would be the easiest to secure. Although on present form one must seriously doubt the capacity of British politics to produce any coherent European policy at all, such a redefinition of European purpose—starting with the advance planning for the EU's intergovernmental conference in 1996—would be a way out of Britain's present hiding to nowhere. Britain could and should take it.

The danger is that by trying to do everything Germany will end up achieving nothing.

Italy has traditionally been a passionate advocate of deepening rather than widening the existing European Union, but with a new foreign minister who was a founding member of the Thatcherite Bruges Group, with its own interests in central and eastern Europe, and with scant likelihood of itself being included in a Carolingian inner core of European monetary union, Italy too might now be ready to embrace this priority. The most difficult partner to win for such a course is also the most important one: France. Helped by the United States, Britain and Italy, Germany would simply have to argue the case to its closest European partner, and even now there are signs of a revision of France's defensive little-Europe strategy.

In Germany, the argument for this priority is generally made negatively, in terms of the threat of mass immigration, the dangers of instability in eastern Europe, even the need for a *cordon sanitaire*. It can and should be made positively.

The voluntary westernization of what became West Germany after 1945 was a peaceful revolution for the better. (A revolution was proclaimed in the East, but happened in the West.) With all its faults, the old Federal Republic was a model bourgeois democracy and the best German state in history. But the job was only half done: West

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Germany's inner security and peace of mind came from its firm geopolitical and existential anchoring in the West; its insecurity, uncertainty and even schizophrenia came from the ghosts of the past and the fact of division.

Now it has a historic chance to finish the job. To recreate those virtues of the old Federal Republic across its larger territory, and find a lasting inner equilibrium, Germany not only needs to achieve the westernization of the former East Germany. It also needs to assist in the westernization on which the new democracies to its east have themselves embarked, and to bring them into the structures of Western and European integration to which the Federal Republic already belongs. If you really want to be a normal country like Britain, France or America, then you need Western neighbors to your east.

The strategic goal of German foreign policy in the 20 years after 1970 could be summarized in one sentence from the so-called letter on German unity: "to work toward a state of peace in Europe in which the German people regains its unity in free self-determination." The strategic goal of German foreign policy for the next 20 years should be to work toward a state of freedom in Europe in which Germany has Western allies and partners to its east.

This is not only a clear, positive goal. It is also a realistic one, proportionate to the country's size, resources and the limited readiness of its citizens to sustain larger external commitments. More would be less.

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Peering into the Future

Joseph S. Nye, Jr.

INTELLIGENCE ESTIMATES AFTER THE COLD WAR

As the Soviet Union, Germany and the Middle East have recently reminded us, no one knows the future. Yet, consciously or not, foreign policy makers constantly make predictions. Will a foreign leader act rationally? Will an allied country be reliable? The consequences of wrong guesses can be catastrophic, so policymakers turn to national intelligence for help. Despite the end of the Cold War, the need for good intelligence estimates continues.

Intelligence analysts sift through reams of information, trying to sort the accurate from the erroneous, and when not enough facts are available, estimating what the picture would look like if all the facts were available. Current intelligence—intelligence about current events—is mainly reportorial and interpretive: "Saddam Hussein lambasted the U.S. government again yesterday. He seems to be trying to drive a wedge between Washington and Paris." While the line often blurs, estimative intelligence is more concerned with what might be or might happen: "Is Iraq still hiding weapons of mass destruction? Will Saddam still be in power a year from now?" Like all kinds of intelligence, estimative intelligence starts with the available facts, but then it trespasses into the unknown and the unknowable—the regions where we simply lack facts. Is it any wonder that national intelligence estimates are sometimes wrong?

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Why take the risks? Why not stick strictly to the facts? One reason is that facts about crucial international issues are rarely conclusive. There is often enough evidence to indict, rarely enough to convict. Yet policymakers are under enormous pressure to make decisions. In some cases they can wait for more information, but in others waiting is itself a decision with irreversible consequences. In the words of a White House official, "Insight is more scarce than information." To help policymakers interpret the available facts, to suggest alternative patterns that available facts might fit, to provide informed assessments of the range and likelihood of possible outcomes—these are the roles of estimative intelligence.

THE COLD WAR RECORD

PRESIDENT HARRY S. TRUMAN created a civilian Central Intelligence Agency in 1947, but neither it nor military intelligence predicted the North Korean invasion in 1950. General Douglas MacArthur's Tokyo headquarters consistently misestimated North Korean and Chinese behavior. In response, when General Walter Bedell Smith became director of the CIA in October 1950, he created a new art form called National Intelligence Estimates (NIEs), to be agreed on at the highest levels in the intelligence community.

The NIEs are produced by the National Intelligence Council, which represents the entire intelligence community and reports to the director in his role as head of the community rather than as head of the CIA. (Roughly half the NIC's national intelligence officers come from the CIA, a quarter from other parts of the government—State, Defense, Energy—and a quarter from universities or private nonprofit organizations.) The NIC coordinates estimative views from the CIA, the Defense Intelligence Agency, the four military services, the National Security Agency, the State Department's Intelligence and Research Bureau, and the intelligence units of Energy, Treasury and the FBI. The heads of those organizations constitute the National Foreign Intelligence Board. They review and approve each estimate before it is published and sent to the president and other top officials.

How well did the estimative process do during the Cold War? It is

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the nature of intelligence that successes often remain hidden, while failures become public, so the ledger cannot be balanced until the documentary records are fully available to future historians. Nonetheless, after comparing a series of National Intelligence Estimates selected with such open sources as *The Economist, The New York Times* and other papers, historian Ernest R. May concluded that the estimates came out reasonably well. They gave policymakers and their staffs information not found in the press and focused on longer-term questions journalists usually slight. Lucid analytic success, however, does not ensure policy impact. Pessimistic estimates about Vietnam in the 1960s, for example, were analytic successes but unwelcomed downtown and failed to prevent disastrous policy choices.

There were, of course, some notable failures, such as the 1962 estimate that Russian President Nikita Khrushchev would not place missiles in Cuba, the 1973 failure to foresee the Yom Kippur War, the analytical disarray in 1978 that prevented the drafting of any estimate about the fall of the shah of Iran, and the 1989 prediction that Saddam Hussein would not make trouble for the next three years. The central estimative issues during the Cold War, however, concerned the Soviet Union. Critics complain that the intelligence community consistently overestimated Soviet military strength, but the record is not so simple. While intelligence was good at predicting the development of new Soviet weapons, it was sometimes wrong about the quantities and qualities produced and deployed. The spurious bomber and missile gaps of the 1950s reflected Soviet deception and exaggeration in the days before reconnaissance satellites. In the late 1960s and early 1970s, intelligence underestimated the buildup of Soviet strategic forces. So the errors were not all in one direction. Moreover, the formal estimative process provided a means for agencies that disagreed with the overall intelligence community view to make their alternative conclusions known to decision-makers.

It is the nature of intelligence that successes often remain hidden, while failures become public.

Some critics go further. Senator Daniel Patrick Moynihan (D-N.Y.) has argued that the failure to predict the demise of the Soviet Union

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led to a decade of wasted military expenditures in the 1980s, and that this should be grounds for abolishing the CIA and giving its functions to the State Department. Again, the record is more complex. The intelligence community accurately reported a slowdown in the Soviet economy, although it did not adequately estimate the rapidity of economic collapse. And the questions posed by policymakers were not about some abstract future, but about whether even a weakening Soviet economy could support a formidable military threat. The intelligence community estimated correctly that the Soviets could.

As for the timing, the intelligence analysts were not alone. Almost everyone (including Mikhail Gorbachev) failed to predict that the Soviet Union would collapse in 1991. The exact timing was probably an accident of history. Had the Politburo picked a less activist and more conservative general secretary in 1985, it is quite plausible that the Soviet Union would have declined more gradually through the end of the century. And a declining empire with nuclear weapons could have posed a significant military threat.

If anything, the experience with predicting the demise of the Soviet Union should make one wary of too much consensus and of reducing the number of sources of analysis. It should also make one wary of abolishing the CIA. Eliminating the community's chief source of nondepartmental analysis would weaken estimates. In policy circles, the old adage is that where you stand depends on where you sit. In intelligence, what you foresee is often affected by where you work. The primary duty of departmental analysts is to respond to the needs of their organizations. Diplomats are supposed to negotiate solutions. Even in apparently hopeless situations, they tend to press departmental analysts for the one chance in a hundred that might permit success. Generals are supposed to win battles. Even in hopeful situations, they tend to press their intelligence analysts for estimates of what they will have to face if worst comes to worst. Thus one type of departmental analysis tends toward optimism, the other toward pessimism. It is not a matter of intellectual dishonesty but of analysts simply doing their jobs.

The best solution to such human and bureaucratic problems is multiple points of view that are brought together in one place so pol-

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icymakers can see the sources of differences and make their own assessments. During the Cold War, the CIA provided nondepartmental assessments with which departmental assessments could be compared. Estimates reflected the consensus of the community, if there was one. If not, agencies that disagreed with the majority's conclusions could insert their own views. No intelligence agency had a corner on the truth, but this process helped policymakers thread their way between wishful thinking and worst-case scenarios during a long Cold War with a dangerous and deceptive adversary.

MYSTERIES AND SECRETS

EVEN THOUGH there is no longer one overriding threat, the need for estimative intelligence continues. In a world where rapid change has become the norm, uncertainties abound. The current threats to American security are not entirely new, but they are more diverse. And they are complicated by the "return of history"—the thawing of ethnic and religious conflicts that had been partly frozen by Cold War blocs. What are the prospects that transnational terrorists will perpetrate another attack like that on the World Trade Center? Where and how quickly will weapons of mass destruction spread? Will economic and social turmoil in Russia or Ukraine lead to the loss of nuclear weapons? Will friendly countries be torn apart by ethnic conflicts and demands for self-determination? What forces and weapons will American troops confront in future peacekeeping operations or regional conflicts?

Some problems threaten our national welfare rather than traditional national security. Policymakers also need intelligence about the transnational drug trade and whether foreign governments are using bribes to cheat American businesses and are meeting their commitments to protect the world's atmosphere, oceans and endangered species. In response, the National Intelligence Council has created a new national intelligence officer for global and multilateral issues to develop estimates on such topics.

One problem for intelligence in the post-Cold War world is knowing where to invest diminishing analytic resources. Skilled analysts are

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needed to deal with new questions, but personnel are being cut 17 percent over four years, and nearly 25 percent over this decade. In such a setting, how many Somali-speaking analysts should be retained? And will the intelligence community preserve a surge capacity when CNN or something else suddenly puts the next Somalia on the agenda?

Behind these management issues lies a larger problem: understanding the structure of world politics that underlies estimative analysis. During the Cold War the world was bipolar, with most political issues influenced by the U.S.S.R. and the United States. Today the structure of power is like a three-dimensional chess game. The top, military board is unipolar, with the United States being the only country capable of projecting global military force. The middle, economic board is tripolar. The United States, the European Union and Japan account for two-thirds of the world economy. China's dramatic economic growth may make this board quadripolar by the turn of the century. The bottom board consists of diverse transnational relationships outside the control of governments, including financial flows, drug trafficking, terrorism and degradation of the ozone layer. On this board, there are no poles.

Today the structure of power is like a three-dimensional chess game.

Greater complexity in the structure of power means greater uncertainty in estimating the future. Polities often undergo dramatic, nonlinear change, but such changes have become much more frequent than during the Cold War. In the 1980s, for example, if one were estimating the number of nuclear weapons South Africa would have in the 1990s, one would have calculated what their uranium enrichment plant could produce and answered "six or seven." But the correct answer today turns out to be zero because of radical political discontinuities associated with the transition to majority rule and the end of the Cold War. Similarly, if one were to estimate today how many nuclear weapons a country with no nuclear facilities might have in five years, the linear answer would be zero. But that would change if the country were able to purchase stolen nuclear weapons on the transnational black market.

Yet another complication for estimators after the Cold War is the increase in the ratio of mysteries to secrets in the questions that policy-

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makers want answered. A secret is something concrete that can be stolen by a spy or discerned by a technical sensor, such as the number of SS-18 missiles in the Soviet Union or the size of their warheads. A mystery is an abstract puzzle to which no one can be sure of the answer. For example, will President Boris Yeltsin be able to control inflation in Russia a year from now? No one can steal that secret from Yeltsin. He does not know the answer. He may not even be in office a year from now.

RESPONSES TO UNCERTAINTY

The National Intelligence Council has tried to cope with this uncertainty in various ways. Most important, it has increased its emphasis on alternative scenarios rather than single-point predictions. The job, after all, is not so much to predict the future as to help policymakers think about the future. No one can know the future, and it is misleading to pretend to. On the other hand, to tell policymakers how complex things are will only echo Harry Truman's request for a one-armed analyst: "No more 'on the one hand and on the other hand.'" Analysts owe policymakers a forthright appraisal of the best estimate.

In lieu of predicting the future, the National Intelligence Estimates describe the range of possible outcomes, including relatively unlikely ones that could have major impact on American interests, and indicate which outcomes they think are most likely and why. They then predict the absolute likelihood of each outcome, mindful of the fact that they tread on very uncertain ground.

Rather than use vague words like "possibly" or "small but significant chance," where feasible the estimates present judgments of likelihood as numerical percentages or bettor's odds. To be sure, this is a controversial approach; it is impossible to explain why something is one chance in two or one chance in three. Even so, the policymakers are better served than if the NIC simply tells them something is "possible," which is equivalent to telling them there is a 1 to 49 percent chance it will happen—not much help to someone trying to make an important decision. Moreover, if the intelligence community is really uncertain about the likelihood of an outcome, or if agencies disagree over that likelihood, the easiest way to depict that to a busy reader is sim-

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ply to present a range of probability—saying, for example, that there is a 30 to 50 percent chance it will happen.

After the most likely scenarios have been constructed and presented, analysts must ask another set of questions before the estimate is done. What would it take for this estimate to be dramatically wrong? What could cause a radically different outcome? This task is not the same as a worst-case analysis. If the most plausible scenarios are pessimistic, the analysts must ask what it would take to produce a favorable result. What would such an outcome look like, and how would they know if events were heading in that direction?

Experts often resist this exercise. Since they know their country or region and have already presented all the plausible scenarios, why waste any effort on scenarios that are by definition highly unlikely? The answer is that such questions help to alert the policymakers to low-probability but high-impact contingencies against which they might plan. It also informs intelligence agencies about obscure indicators about which they should be collecting information.

Perhaps if estimators of Soviet strength in the 1980s had asked explicitly what it would take to greatly weaken the Soviet Union and what such a stricken colossus would look like, analysts and policymakers would have been more attentive to offbeat indicators and less surprised by the outcome. One reason, for example, Royal Dutch Shell survived the 1973 oil crisis better than other companies is that its planners did not merely do best estimates of future oil prices but also contemplated scenarios of dramatic price changes that were considered highly unlikely at the time.

Good analysts will also explicitly identify their key assumptions and uncertainties, so that policymakers are aware of the foundations of the estimate. Obviously it is impossible to identify all the assumptions behind the NIC's analyses. Everyone assumes that the future will more or less resemble the past; for instance, all expect the sun to rise in the east. Someday that might not be true, but it will probably remain true for the time frame of today's estimates. Other assumptions might seem obvious but nonetheless be worth highlighting. In the 1980s, for example, if one were estimating Iraq's ability to build a nuclear weapon, one could reasonably have assumed that Baghdad

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would use only the most modern and efficient techniques. But U.S. intelligence missed a critical part of Iraq's program that included electromagnetic isotope separation, an antiquated technique the United States abandoned in the 1940s. Had the assumption been explicit, some analyst or policymaker might have thought to ask what Saddam's program might look like if the assumption were relaxed.

Estimates start with a section that highlights assumptions and end, where appropriate, with a section that highlights key uncertainties. After all is said and done, what are the biggest gaps in U.S. intelligence? This exercise not only helps alert policymakers to the limits of estimates, but also informs intelligence collectors of the needs for further information. In fact, one job of national intelligence officers is to serve as issue coordinators, to identify gaps in the community's knowledge and provide that information to the director of the CIA and the executive committee of the intelligence community to help them plan collection programs.

Another way to enrich national intelligence estimates is to explore the reasons agencies hold different views on specific issues. Providing alternative views is better than suppressing them in favor of vague or ambiguous consensus; yet alternative views have often been presented without much explanation of the basis of the disagreement. Such explanations can be illuminating. Are the facts in dispute? Are agencies and their staffs using different conceptual frameworks? Is it a cup-half-full versus cup-half-empty dispute? Policymakers are most helped by estimates that indicate clearly what all agencies agree is known and not known, what they disagree about and what the evidence is for each position. Indeed, differing interpretations do not need agency sponsors. In the always foggy estimative arena, analysts within agencies often differ on how to interpret sparse or ambiguous material. The most responsible course in such cases is to describe the various plausible interpretations and lay out the evidence for each.

As for the problem that there is now a greater proportion of mysteries to secrets in estimative questions, the solution lies in paying more attention to outside and open sources of information. A high proportion of the information needed to analyze Cold War subjects involved secrets that had to be clandestinely collected, while open

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sources often provided little help. That is still true today for closed societies such as Iraq or North Korea. But on many key issues, clandestine sources may provide only a small, though still useful, portion. Open sources provide context. The combination provides a unique resource that policymakers could not obtain merely from reading the journals, assuming they had time to do so.

In a sense, intelligence analysts are like people assembling a jigsaw puzzle who have some nifty nuggets inside a box but need to see the picture on the cover to understand how they fit. Those pictures are drawn by outsiders in universities, think tanks, businesses, nongovernmental organizations and the press. National estimates on many subjects today greatly benefit from the insights of outside analysts. It is important for intelligence analysts to keep up with open literature. Managers should also look to outside training and use consultants and conferences. And in estimates, it helps to describe the range of academic views so that policymakers can calibrate where the intelligence community stands. In some cases, outside experts may even answer key estimative questions or produce parallel estimates.

Most high-level policymakers spend their days drinking from a fire hose of information.

Innovations and enhancements aside, it does not matter how good the National Intelligence Council's estimates are unless it gets them into the minds of policymakers. Most high-level policymakers are swamped with information and have little time to read. They spend their days drinking from a fire hose of information. The basic paradox of government is that it rests on a sea of paper, but the higher you go, the more it becomes an oral culture. The finest analytic work that is too long to read, or that arrives when its issue is not on the front burner, is likely to be placed in a pile on the back corner of the desk that is reserved for papers too interesting to throw away but not urgent enough to read immediately. Every few weeks or months, most of that pile is discarded unread.

To respond to this situation, the NIC has devised two new estimative art forms. Following the example of Britain's Joint Intelligence Council, which produces three-page estimates for the cabinet, the NIC has developed a short "President's Summary" designed explicitly for top

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policymakers. The complete version of the estimate, with details and justifications, is a useful tool for staffs and lower levels of policy bureaucracies. Moreover, estimating must be seen as a continuous process. When new information or developments come in, recipients of estimates are provided with a short memorandum that updates them.

Good estimating requires constant contact with policymakers so that written products are keyed to their agendas. Policymakers are often too distracted to ask for estimates, but they will read or listen if the timing is right. The production of some estimates must be geared to upcoming events such as the visit of a foreign prime minister or a presidential trip abroad. When warranted, estimates or special NIC memos can be produced in a matter of days.

Even efficient and timely publication is not the whole answer. The estimative process involves contact with decision-makers before and after publication. The purpose of estimating is not publication, but getting ideas into policymakers' minds. Oral estimating is another important way of doing that. Listenership is sometimes more important than readership.

In short, estimation as a process requires constant interaction between national intelligence officers and policymakers both before and after publication. Such contact raises the red flag of politicization, of consciously or unconsciously crossing the line between objective analysis and a statement of policy preferences. National intelligence organizations must constantly be alert to that danger. Fortunately, the taboo against trespassing into policy is so deeply ingrained in the intelligence culture that there are frequent reminders. In addition, estimators often present unpopular information. With particularly sensitive estimates that could undermine a policy or a foreign leader if leaked to the press, the NIC is prepared to limit distribution to a narrow list of people with a need to know, but not to change the nature of the conclusions.

MAKING BETTER CHOICES

ESTIMATES FOCUSED heavily on the Soviet Union during the Cold War. In its wake, policymakers still need estimative intelligence to help them understand the more diffuse and ambiguous threats and

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opportunities they face. Ideological divisions are less likely to obstruct analysis, but greater uncertainties make analysis more difficult. The greater the uncertainty, the greater the scope and need for estimative intelligence. But the task is not simple prediction. Estimators are not fortune-tellers; they are educators. Rather than trying to predict the future, estimators should deal with heightened uncertainty by presenting alternative scenarios. To be useful, estimates must describe not only the nature and probability of the most likely future paths, but they must also investigate significant excursions off those paths and identify the signposts that would tell us we are entering such territory.

Estimates are ways of summarizing what is known and structuring the remaining uncertainties. Sometimes they will be wrong; sometimes, even when correct, they will be ignored. As in the case of the 1990 estimate that correctly predicted the violence in the former Yugoslavia, policymakers can draw a variety of conclusions about whether or not to intervene. Often estimates will be unpopular when they cast doubt on preferred options or put awkward new issues on the policy agenda. But, properly conceived and effectively presented, estimative intelligence can help policymakers make better choices in a future that will contain a more complex mix of threats and opportunities.

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The Drug Money Maze

David A. Andelman

CLOSING DOWN THE DIGITAL LAUNDRY

TAX-FREE MONEY, EVEN $100 billion worth, can be a problem when it is generated by drug deals, bundled in bills of small denominations, laced with minuscule traces of cocaine and lying around one's house in suitcases. Each year, the world's leading drug cartels generate upwards of that amount in $5, $10 and $20 transactions around the world, the vast majority of which take place in the streets and ghettos of America's major cities. U.S. law enforcement officials and drug experts calculate the annual revenues from cocaine trafficking to be $29 billion a year in the United States alone. This drug money is the lifeblood of cartels, necessary for the operation and growth of their vast black market. It is used to pay their private armies and assure the complacency, if not outright complicity, of the nations that shelter them. With illicit profits politicians, judges, police and journalists are regularly bought or silenced by hired assassins.

But cash presents a fundamental problem. It is heavy and unwieldy. In $100 denominations, cash is three times the weight of the drugs that generate it; 450 paper bills weigh one pound. In the more common street-level denominations of $10 and $20 bills, it is at least 15 to 30 times the weight of its equivalent value in cocaine. To move cash around the world in the quantities and with the speed demanded by the operations of the major cartels is therefore difficult, if not impossible.

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In recent years, senior law enforcement officers in the United States and nations with leading financial centers have begun to realize that the financial networks of drug cartels are highly vulnerable, especially at the point just before illegal money enters the international banking system, and that these networks can be attacked in a systematic and effective manner. The United States and other nations have not given up on the more traditional means of attacking drug traffic at the street level, nor have major international law enforcement bodies given up on controlling wholesale production and export. But the savvy money launderers who covertly guide cash from street corners to the pockets of drug kingpins are an ever-increasing target in the international war on drugs.

The global drug cartels and the men who launder their Croetian wealth have developed an enormous and growing capacity to conceal the source and destination of the funds that give them power. Their innovative techniques of moving and concealing vast sums of cash—coffee exports, car dealerships, insurance annuities, construction projects, check-cashing stores—often seem to be outstripping the capacity of the international criminal justice system and its diplomatic and legal underpinnings. At the same time, the weapons—legal, political and judicial—aimed at detecting and prosecuting money laundering have become formidable. Still, most individuals using these legal weapons concede that their tools stop short of the ultimate solution. Illicit funds, enforcement agents argue, must be stopped before entering the international banking system. After that, it is too late. The moment a foolproof system can be found to accomplish this apparently simple but in practice highly complex task, a stake will have been driven through the heart of the cartels. That foolproof system, now coalescing through the efforts of a number of multilateral agencies, has been designed and is within grasp. It only needs to be codified and enforced.

THE BUCK STOPS HERE AND HERE AND HERE

THE FIRST MONEY launderers in the drug trade were little more than couriers. They would pick up funds from street-corner dealers and deposit them in the nearest bank. The banks were delighted to

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have this sudden stream of wealth pouring through their doors. Even if it was quickly transferred to its next destination, the overnight "float"—interest generated by massive short-term loans between banks—could turn a handsome profit for minimal effort. The banks turned a blind eye to the source of this wealth. They never questioned the propriety of fish stands or vegetable markets that were generating half a million dollars a day in cash, all in small-denomination bills.

In 1970 the U.S. government began to plug some of the loopholes that were allowing these vast quantities of drug money to slide easily into the banking system and out of the country. The Bank Secrecy Act of 1970 required all banks to report cash transactions of more than $10,000 per day and demanded that all individuals taking more than $5,000 in cash across borders submit currency reports. Still, few banks took more than passing notice of these new regulations. And some bankers were always delighted to break large deposits into lots of $9,900 to avoid the reporting requirements.

Money laundering spawned an entire cottage industry. "Cells" sprang up in cities across the United States, reporting ultimately to big-time money laundering specialists in Colombia. Each cell consisted of a cell boss and a small army of runners or "smurfs," named for the industrious little blue cartoon characters who labor tirelessly. The task of smurfs was to run from bank to bank where accounts had been opened, depositing several thousand dollars at a clip—always staying under the $10,000-per-day ceiling for cash transactions. It took 16 years for the government to crack down, but in 1986 Congress made it a separate federal crime to avoid the reporting requirements of the Bank Secrecy Act of 1970. Federal agents of the Drug Enforcement Administration (DEA), Federal Bureau of Investigation, Internal Revenue Service and various bank regulators began to move in on the banks themselves. Moving cash in and out of U.S. banking institutions became an increasingly high-risk operation.

Also during 1986, President Ronald Reagan stepped up the push to put drug smuggling on the international diplomatic agenda. He signed National Security Decision Directive No. 221, making drug enforcement a national security priority. While diplomats were sitting down at international conferences, American drug agents and criminal justice

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attorneys began demonstrating the consequences of the failure to comply with the new international standards of banking behavior. Corporations, banks and individuals operating in money-haven countries found their assets in the United States subject to freezing and forfeiture. While many of the new requirements for determining the owners of bank deposits were American-inspired norms, they quickly spread as international standards. Drug agents fanned out through countries like Colombia and Venezuela, explaining to bankers what failure to comply meant specifically to their banks and their clients. Bank presidents began realizing that dealing with money launderers was simply bad business. Profits on these accounts were marginal. E.F. Hutton, Merrill Lynch and the Bank of Boston, among others, received a lot of bad publicity; some banks, such as BCCI, faced criminal indictments.

American norms of bank regulation are gradually being adopted as worldwide standards.

Through a combination of revoking visas to the United States, targeting recalcitrant banks' operations in North America and threatening to embarrass banks' legitimate clients, foreign bankers have slowly been persuaded to avoid the international drug cartels. The Swiss did not get religion about the pernicious effects of illegal drugs and drug money until about a decade ago. The good burghers of Geneva and Zurich were shocked by the gradual proliferation of needle parks in their pristine cities. The final straw was a corruption scandal involving the husband of Switzerland's minister of justice, Elisabeth Kopp, the leading candidate for prime minister of the Swiss Confederation. He was accused of participating in a Zurich company that harbored funds for the Medellin cartel and Turkish mafia in Swiss accounts. Until then the Swiss had operated the way most foreign bankers still do, turning a blind eye to the sources of funds arriving in their nation's banks. Certainly the magnitude of the transfers was a powerful argument against questioning the funds' origins. For banks in a small nation like Switzerland—or Luxembourg, the Bahamas, the Turks and Cacos islands and scores of other bank secrecy havens—a few days' worth of deposits was enough to ensure a profitable year. But suddenly it became clear to the Swiss that the very foundations of government

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and society were being corrupted by this money. Swiss banking law underwent a total reevaluation.

The focus on money laundering has had some remarkable results. For example, a massive three-year-long sting operation initiated by the DEA in 1989, dubbed Operation Green Ice, was able to lure money launderers into using a phony leather goods company with a string of warehouses in major U.S. cities to conceal international money transfers. Law enforcement officers ultimately arrested 192 people in six countries—the United States, Italy, Canada, England, Spain and Costa Rica—seizing more than $50 million in drug profits and uncovered links between Colombian cocaine cartels, Mafia organizations in the United States and Italy's chief crime lords in Sicily, Naples and Calabria. Of particular significance were the arrests of seven top money managers of the Colombian Cali drug cartel.

Drug cartels have left the money laundering business; now they hire specialists in electronic banking.

In the eight years since money laundering has become a federal crime and the U.S. government has begun to concentrate resources on its enforcement, the cost of laundering money has risen from 6 percent to a maximum of 26 percent for full-service laundering: pickup, transfer to multiple banks, merging with funds from legal sources and finally investment. Operation Buckstop, initiated by the U.S. Customs Service, seized more than $171 million in outbound currency between 1989 and 1992. Federal drug agents estimate that between $200 and $500 million remains blocked in the United States awaiting transfer out of the country. Nevertheless, $500 million is still less than two percent of the entire take in the United States alone from the Colombian cartels' cocaine sales each year. In one way or another, the funds are leaving the United States.

PARCEL POST TO PANAMA

THIS FULL-BORE approach, combining tighter banking regulations and better enforcement, has largely forced the cartels themselves out of the money laundering business. Recognizing that their strength lay

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in the production and marketing of their product, the cartels have hired specialists to manage the two riskiest aspects of their operations: transporting the drugs and laundering the proceeds. The money laundering specialists to whom the cartels have turned are businessmen and bankers, whose commodity is money itself. Each time a million dollars has to be moved from a particular city in the United States, bids are taken. For a lot of $1 million, the money launderer guarantees the cartel's accountant $900,000, or whatever bid is fixed. The launderer delivers the $900,000 in Bogotá, generally in Colombian pesos or perhaps in merchandise that is quickly sold for pesos, and later takes possession of the dollars in New York or Los Angeles or Miami. It is then up to the launderer to get the full million dollars out of the United States. His profit is $100,000 minus expenses.

In October 1992 the DEA stumbled on evidence outlining the intricate five-stage process that money launderers use to disguise the origin of their cash, a system that has become gospel to the big-time launderers of the cartel. According to Gregory Passic, chief of the agency's financial enforcement division and one of America's leading specialists in combating money laundering, a Luxembourg police detective had become curious about Colombian funds entering Luxembourg banks. A list of suspicious Colombian depositors was run through DEA computers. One name leapt out: Franklin Jurado. DEA agents and Luxembourg police followed Jurado for a year, finally arresting him as he was about to board a plane for Moscow. When they kicked down the door of his apartment in Luxembourg, they found a treasure trove of records—115 bank accounts based in 16 countries from Luxembourg to Budapest. Examining the evidence they made an even more important discovery: Jurado's blueprint for international money laundering.

The first step is the initial deposit, which must be made to a bank in a country where the launderer knows he and his associates will not be arrested within 24 hours and the money cannot be frozen quickly. This deposit is the single most important step, where the money is the dirtiest, where it is most directly tied to the illegal source and therefore subject to seizure or forfeiture. The succeeding stages are complex, but increasingly mechanical. In the second stage the money is

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transferred to a bank controlled by a non-Latin, usually Spanish, company. Next, it is transferred to an account in the name of a Japanese or West European company. Then, once processed there, it can be put either in a working account, most frequently in Colombia or in a savings or investment account in Europe or the United States. In Colombia, the final stage is conversion into Colombian pesos. This series of transactions serves three purposes: it creates a complex paper trail, makes the origin and ownership of money dubious and commingles drug money with legitimate financial transactions.

The key step is the first. Strict enforcement of the bank secrecy and anti-money laundering acts over the last few years has made it increasingly difficult to use the U.S. banking system in this stage.[1] As a result, the cash has had to leave the United States. The destination? Any of a number of islands, territories or nations where bank secrecy is still marketed as a service: the Cayman Islands, the Turks and Caicos, Venezuela and Panama. For smugglers, the fundamental problem is the weight and volume of the cash. Means must be found to reduce both. A preferred method for reducing the weight and volume of cash is money orders: U.S. Postal, American Express, Western Union, Thomas Cook or Travelers Express. Bought by the same smurfs who once raced from bank to bank making deposits, money orders are smuggled by plane, even by DHL or private couriers, to places where bank transactions are less rigorously scrutinized.

Until last year, the destination of choice for smurfed money orders was Panama. But recently, a unique computer program was developed by inspectors of the U.S. Postal Service and the DEA and implemented by the Federal Reserve Bank of St. Louis, the clearinghouse for all 800,000 or so postal money orders that enter the system for payment each day. Using this new software, the government was able to determine the source bank of the illicit transactions—the Hong Kong Shanghai Bank of Panama. Moving quickly, federal agents and Jus-

[1] The Money Laundering Suppression Act of 1994, whose enactment is expected this year, is designed to provide law officials and legitimate businesses some relief by narrowing the criteria for reporting notable cash transactions, which numbered more than ten million in 1993. The act also broadens existing law to encompass "nonbank" institutions, which handle check cashing, money orders, traveler's checks and wire transfers.

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tice Department attorneys froze the bank's correspondent accounts at Marine Midland Bank in New York. Within weeks, banks in Panama began refusing all such postal money orders arriving from the United States. The money launderers moved on to the next destination. Unfazed, money launderers have been finding, more quickly than their pursuers can detect, new countries and a panoply of innovative, if often expensive, techniques. Colombian kingpins and their money launderers have set up a network of private, outwardly legitimate corporations, designed to obliterate all traces of the illicit origins of their money and obfuscate the electronic trail of money transfers.

A latter-day equivalent of the eighteenth-century Triangular Trade has sprung up between Colombia and the United States—with legitimate products such as coffee and leather being bought by the drug cartels in Colombia with Colombian bank loans secured by letters of credit from Panamanian banks, backed by drug-generated cash or money orders. The coffee, often tens of millions of dollars worth, is then sold in the United States and the proceeds transferred to shell corporations in Europe. By the time U.S. agents show up in Switzerland with a search warrant, the funds in the Swiss bank account of the money launderer appear entirely legitimate—proceeds of a coffee transaction. Other scams are built around world-class art and antiques valued at more than $10 million, purchased by corrupt dealers through some of the major international auction houses.

OPERATION ROYAL FLUSH

THE DEA AND other U.S. anti-drug investigators scattered across some 42 different U.S. departments and agencies have come to a depressing conclusion: They have remained a step behind the cartels, who are hopscotching around the world finding new havens for their funds as each old sanctuary is denied them. Even more troubling is the latest wrinkle: the money launderers have begun to buy equity in international banks.

Top international law enforcement officials who have spent their lives studying and pursuing the international drug cartels believe that the new Clinton drug policy—designed to attack the drug problem by damping demand on the streets of the United States—while polit-

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ically expedient and morally correct, is wrongheaded in its long-term goals and approach. Once the drugs reach the streets of America, indeed once the powder leaves the jungles of Colombia, most experts on the big-time cartels believe it is too late. Law enforcement must break the backs of those who produce the drugs. But arresting, convicting, even imprisoning them is not enough. With vast wealth at their disposal, no prison walls can prevent them from continuing their pernicious activities. Despite all odds, the goal must be to strangle the financial networks.

The first line of defense—before drug proceeds enter the global money system—must be the banks themselves.

Thus the United States created a new approach in 1992 called Operation Royal Flush—a code name for identifying and neutralizing the 150 or so leading Colombian money launderers who provide the means for the cartels to function. Operation Royal Flush is a policy based on a solid three-legged stool: information exchange, enforcement and regulation.

A coordinated, reliable and above all timely method of exchanging information on financial targets, money brokers and bank accounts is essential if the major drug enforcement agencies are to leapfrog the cartels and their money launderers rather than remaining always one step behind. Tough and uniform enforcement is also vital. Those who launder money must be certain that if they are caught, their funds will certainly be seized, their accounts will be frozen, and they will wind up in prison for a long time.

The shakiest leg of the stool is regulating the banking industry itself—policing its operations and above all the beneficial sources of its deposits. Yet this is the only leg that denies the international banking system to the drug traffickers. Moreover, if the launderers are themselves beginning to buy into banks, strictly enforced criminal regulations are the only way to put the money launderers out of business.

THE WORLDWIDE WEB

"THE FIRST LINE of defense against money laundering must be the financial institution, acting in partnership with law enforcement and

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supervisory authorities," says Rayburn F. Hesse, the State Department's principal expert on money laundering. But most of the world outside North America including, until recently, most of Europe, have a very different concept of banking and bank secrecy. There, an individual is believed to have the inviolable right to maintain and build private wealth without the scrutiny of neighbors or governments. The intrusion of police into banks or financial matters is believed to exceed their function as law officers.

The influence of the United States on international criminal law enforcement and drug interdiction has begun to affect these attitudes. The 1989 decision by the Swiss Federal Parliament to criminalize money laundering in the wake of the Kopp scandal was the first break in the concept of universal bank secrecy. Many other countries began to perceive the potentially pernicious effects of the arrival of vast sums of ill-gotten cash on their shores. Each time the international cartels and their money launderers pour their money into a particular country's banks, they want to make sure that not only the banks themselves but the environments where the banks do business and the operations of the banks fall under their narcotic spell. So there are often horrific social and political costs for nations that succumb to the seduction of billions of dollars in drug funds flowing into their coffers—corruption of judicial, police and government officials at the highest levels, bribery of entire parliamentary blocs and ultimately the corpses of judges, prosecutors and journalists. In the last year Spain, Hong Kong, Canada and the United Kingdom have taken sweeping measures through laws, regulations or increased enforcement to crack down on money laundering.

Still, in vast stretches of the developing world, even modest sums can make people impossibly wealthy. In much of Latin America and the Caribbean—where many of the bank secrecy havens of choice are now located—bribes may vastly exceed official salaries, indeed may amount to a life's earnings for a single service rendered at a critical moment. The task of those attacking the money of the international cartels must be diplomatic persuasion or even at times intimidation. Linking foreign policy with law enforcement—a phenomenon that dates only to the late 1980s when there was a realization that there

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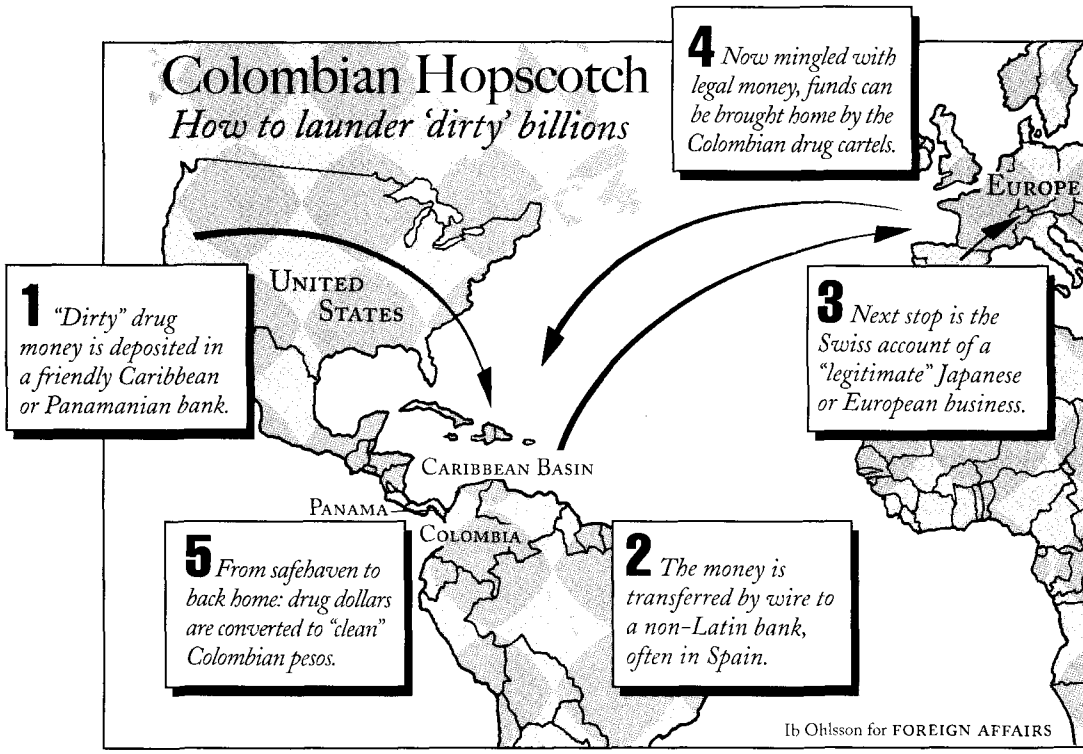
Colombian Hopscotch
How to launder 'dirty' billions
1 "Dirty" drug money is deposited in a friendly Caribbean or Panamanian bank.
UNITED STATES
CARIBBEAN BASIN
PANAMA
COLOMBIA
2 The money is transferred by wire to a non-Latin bank, often in Spain.
3 Next stop is the Swiss account of a "legitimate" Japanese or European business.
EUROPE
4 Now mingled with legal money, funds can be brought home by the Colombian drug cartels.
5 From safehaven to back home: drug dollars are converted to "clean" Colombian pesos.
Ib Ohlsson for FOREIGN AFFAIRS

was simply no other means of containing the global drug trade—has been perhaps the single most important factor in targeting the drug cartels and their financial manipulations.

DILIGENT PURSUIT

THE INITIAL U.N. conventions regarding drug trafficking—the 1961 Single Convention on Narcotic Drugs and its 1972 protocol—were largely toothless. In 1988 diplomats gathered in Vienna to sign an updated version—the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. For the first time, an international convention addressed the need to attack international drug money flows. Indeed, the new convention mandated that signatories criminalize activities connected with money laundering. In the five years since it was signed, some 75 nations have ratified the convention. At a minimum, it has become an important moral reinforcement to the first two legs of the money laundering stool,

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exchange of information and enforcement of criminal statutes. But it still fails to strengthen the third leg—the most fundamental to the destruction of the cartels' ability to move and launder illicit revenue. It fails to require a bank to examine the origin of a deposit and the commercial activity generating it before it is accepted.

Ultimately, an international convention on the beneficial source of money—effectively a convention of "due diligence" encompassing the actions and practices of attorneys and accountants as well as bankers—may be the best solution. The first steps are already being taken toward such a convention. The Bank of International Settlements and the Basel Committee of the Group of 10 (which actually includes the central bankers of 12 member nations) have accepted the banking principle of "know your customer" as a standard for every financial institution they oversee. But while both bodies are important in dealing with the major money centers of the world, they still remain a relatively small and elite group when it comes to the vast panorama of international banks available to global cartels.

A more promising institution is the Financial Action Task Force, a five-year-old international organization that operates largely outside the purview of the United Nations. It was established with the full diplomatic and political backing of the United States and its major Western allies, but its vision is global. Operating from a suite of offices in the Organization for Economic Cooperation and Development in Paris, FATF has charter members from the entire Group of Seven (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States), the European Community and four other European nations (Austria, Sweden, Switzerland and Australia). An intensive campaign that may at times have bordered on coercion has added seven more members—Finland, Iceland, Norway, Turkey, Hong Kong, New Zealand and Singapore—plus the Gulf Cooperation Council.

FATF has issued a 40-point list of recommendations on money laundering countermeasures, which goes substantially beyond the previous U.N. conventions. FATF mandates regular outside evaluation by recognized experts of each member nation's progress in implementing the 40 points. FATF is beginning to move in the right direction, but there are two fundamental problems. The first is its contin-

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ued lack of universality. Specialists who monitor international money laundering interdiction for FATF report that in one recent arrest alone, the target was found to have placed funds in banks and nonbank financial institutions in 40 different countries—only 15 of which were members of FATF.

The second problem is one shared by the 1988 U.N. convention—the lack of a tough enforcement mechanism. Certainly, FATF's 40 points address the key issue of compelling bankers to examine the beneficial source of each deposit as well as the background of each depositor. The problem is that enforcement, for the moment, does not go beyond the reach of moral suasion and the prospect of a nation being held up as an international example by the evaluating panel.

Enforcement beyond U.S. borders currently relies on moral suasion and fear of damaging publicity.

Nevertheless, even the existence of this evaluation mechanism gives considerable hope to its creators. In place and functioning effectively is a process that could be transformed into an international system of bank policing. The first step toward this goal, expected to be taken this summer, is a formal notice by FATF to all international banks that their duty is to determine the beneficial sources of all their deposits. The next step, still down the road, would be formal codification of this notice with enforcement provisions. Firm, consistent enforcement could finally stop the laundering of illicit proceeds of drug trafficking, as well as arms trading, terrorism, counterfeiting or any other illegal activity.

PROSPECTS FOR A GLOBAL BANK POLICE

THE IDEAL, of course, would be to create a true multinational bank regulatory body that would function like the Comptroller of the Currency, the Federal Reserve or the Department of Justice to compel examination of the sources of deposits in every nation. Short of this goal, however, individual national banking systems or banks themselves are now in a position, thanks to FATF monitoring, to enforce their own standards—again, provided the will exists. A complex process of education is under way to develop the will to enforce these

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standards. The FATF and State Department officials who chair the task force's working group on policy and external relations have embarked on a global campaign to convince banks they must conform to international norms, or else. It is the "or else" that until now has proven elusive in many parts of the world.

Few countries are inclined to cede sovereignty over their national banking systems to any external authority. Moreover, since banks wield substantial political power in most nations where they control the purse strings, they are unlikely to accept regulation by a supranational body over which they would possess comparatively little control. Nevertheless, FATF officials believe that they will have in place by 1998 or 1999 the core of a global regulatory and enforcement mechanism considerably more rigid than any now in place. After a critical mass of countries has adopted and implemented laws consistent with the FATF's 40 points, the governments that have taken those steps will be in a position to recommend actions against those governments that have not.

Even more important, it is likely that banks in "white-listed" nations, those that no longer tolerate concealment of fund origins, will refuse to handle any transactions originating or passing through "blacklisted" nations, whose banks are prepared to handle illegally accumulated funds. To go this last step, pressure from the top down and especially the bottom up is essential. The U.S. government must be prepared to exert substantial leverage—diplomatic, political and financial—to convince countries of the urgent necessity of taking measures that will effectively remove their banks from the money launderers' preferred lists. The administration needs support, perhaps even pressure, from Congress and the electorate to place this effort high on an increasingly crowded list of international priorities.

But of equal, if not greater, importance is bottom-up pressure from the client companies and important depositors in international banks. These clients must insist that they will not do business with institutions that fail to adhere to the new, tough international norms on examining money sources. Only this kind of tangible pressure on financial bottom lines—threats to move large deposits or transfer business elsewhere—will give bankers the basic pocketbook motivation to take the hard actions that are necessary.

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Ultimately, if all these moves prove as effective as they promise, one final determination will need to be made. At what point have the good guys won? Or, as one enforcement agent put it, "How much money do we have to take out of the system for how long a period of time to destabilize or neutralize the drug cartels?" The United States is not yet there—or even close. But it is certainly moving far more rapidly in the right direction in this area than in the other two U.S. priorities—reducing demand or interdicting the shipment of product. Demand, it appears, is only rising, if not in the United States, then certainly in much of the world. Interdiction still only gets a tiny fraction (estimates range from 5 to 15 percent) of the total product shipped each year. But the efforts of an army of financial, diplomatic and enforcement professionals have managed to drive the cost of money laundering from 6 percent to 26 percent. In short, the United States has taken out of the pockets of the drug kingpins more than a quarter of their profits. Although much of it still goes into the pockets of their confederates, the money launderers.

The aim—clearly an achievable one—is to make their task as expensive and dangerous to them as it is to the cartels. If this goal remains high on the international diplomatic, political and law enforcement agenda, and rises to comparable heights on the global financial agenda as well, it is by no means an impossible dream.

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The Rise of the Nonprofit Sector

Lester M. Salamon

A GLOBAL 'ASSOCIATIONAL REVOLUTION'

A STRIKING UPSURGE is under way around the globe in organized voluntary activity and the creation of private, nonprofit or non-governmental organizations. From the developed countries of North America, Europe and Asia to the developing societies of Africa, Latin America and the former Soviet bloc, people are forming associations, foundations and similar institutions to deliver human services, promote grass-roots economic development, prevent environmental degradation, protect civil rights and pursue a thousand other objectives formerly unattended or left to the state.

The scope and scale of this phenomenon are immense. Indeed, we are in the midst of a global "associational revolution" that may prove to be as significant to the latter twentieth century as the rise of the nation-state was to the latter nineteenth. The upshot is a global third sector: a massive array of self-governing private organizations, not dedicated to distributing profits to shareholders or directors, pursuing public purposes outside the formal apparatus of the state. The proliferation of these groups may be permanently altering the relationship between states and citizens, with an impact extending far beyond the material services they provide. Virtually all of America's major social movements, for example, whether civil rights, environmental, consumer, women's or conservative, have had their roots in the nonprofit sector.

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The growth of this phenomenon is all the more striking given the simultaneous decline in the more traditional forms of political participation, such as voting, party affiliation and union membership.

The rise of the third sector springs from a variety of pressures—from individual citizens, outside institutions and governments themselves. It reflects a distinct set of social and technological changes, as well as a long-simmering crisis of confidence in the capability of the state. Broad historical changes have thus opened the way for alternative institutions that can respond more effectively to human needs. With their small scale, flexibility and capacity to engage grass-roots energies, private nonprofit organizations have been ideally suited to fill the resulting gap. The consequence is a sweeping process of change that closely resembles the "third wave" of democratic political revolutions identified by Samuel Huntington, but that goes well beyond it, affecting democratic and authoritarian regimes, developed and developing countries alike.

EVERYONE'S DOING IT

NONPROFIT ORGANIZATIONS are incredibly diverse, and analyzing their upsurge at the global level is no simple task. A lack of systematic data, varying terminology and widely divergent functions make these organizations hard to identify from place to place. Serious definitional problems are compounded by the varied treatment of these organizations in national legal structures, with some countries explicitly providing for the incorporation of charitable or nonprofit organizations and others doing so partially or not at all. Official listings of such organizations are therefore notoriously incomplete, and their treatment in national economic statistics is grossly imperfect.

Ideological blinders have also obscured a clear assessment of the nonprofit sector's true scope and role. For much of the past 50 years, politicians on both the political right and left have tended to downplay these institutions. The left has done so to justify the expansion of the welfare state; the right to justify attacks on the state as the destroyer of private "mediating institutions." The rise of the welfare state thus crowded out the nonprofit sector from both public discussion and scholarly inquiry even as this sector continued to grow.

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Given these problems, it is hard to know whether the current upsurge is new or simply the rediscovery of a sector long ignored. Both processes are doubtless at work. But the evidence of a major new blossoming of third-sector institutions at the global level is compelling. In the developed countries, for example, a significant expansion of citizen activism has been evident for several decades. A 1982 survey of nonprofit human service organizations in 16 American communities showed that 65 percent had been created since 1960. The number of private associations has similarly skyrocketed in France, with more than 54,000 formed in 1987 alone, compared to about 11,000 per year in the 1960s. Recent estimates record some 275,000 charities in the United Kingdom, with income approaching five percent of gross national product. In Italy, research conducted in 1985 showed that 40 percent of the organizations had been formed since 1977.

This phenomenon is even more dramatic in the developing world, where some 4,600 Western voluntary organizations are now active, providing support to approximately 20,000 indigenous nongovernmental organizations. In India, the Village Awakening Movement, which grew out of the Gandhian tradition, is active in thousands of villages. Bangladesh boasts approximately 10,000 registered nongovernmental organizations. In Sri Lanka, the Sarvodala Shramadana movement has organized more than 8,000 villages to produce small-scale improvement projects. Elsewhere, some 21,000 nonprofit organizations have formed in the Philippines; nearly 100,000 Christian Base Communities built on local action groups now dot the Brazilian countryside; some 27,000 nonprofit organizations are now reported in Chile and 2,000 in Argentina; and recent estimates indicate that 30 percent of Kenya's capital development since the 1970s has come from the Harambee movement, which has led local communities to initiate a wide variety of development projects.

Similar developments have also been evident in Eastern Europe and the former Soviet Union. Well before the dramatic political events that captured world attention in 1989, important changes were taking place beneath the surface of East European society, and voluntary organizations were very much at the center of them. Indeed, a veritable "second society" had come into existence, consisting of thousands, perhaps mil-

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lions, of networks of people who provided each other mutual aid to cope with the economy of scarcity in which they lived. By the late 1970s, these networks were already acquiring political significance.

This process has only accelerated since the overthrow of the communist governments. As of 1992, several thousand foundations were registered with governmental authorities in Poland. In Hungary, 6,000 foundations and 11,000 associations had been registered by mid-1992. A Foundation Forum was established in Bulgaria in 1991, linking close to 30 newly created private groups. Although slower in the former Soviet Union, this process has recently accelerated there as well. A Foundation for Social Innovations was formed in 1986, in the second year of perestroika, as a way to translate citizen initiatives into effective social action. Since then dozens of other foundations and nonprofit organizations have been created—to assist gifted and talented children, to protest the Chernobyl nuclear disaster, to call attention to the disappearance of the Aral Sea, to encourage cultural heterogeneity, and for dozens of other purposes.

THE PRESSURES TO GET INVOLVED

How can we explain the extraordinary growth and pervasiveness of this phenomenon? Pressures to expand the voluntary sector seem to be coming from at least three different sources: from "below" in the form of spontaneous grass-roots energies, from the "outside" through the actions of various public and private institutions, and from "above" in the form of government policies.

The most basic force is that of ordinary people who decide to take matters into their own hands and organize to improve their conditions or seek basic rights. This factor is most clearly at work in the former Soviet Union and Eastern Europe. Activists there describe their efforts as creating a "civil society," one in which individuals have the right not only to speak out but also to organize together. The intricate networks of mutual assistance that developed under communism have since provided the pathways for this new democratic fervor. As Andras Biro, a Hungarian activist, has put it: "We are witnessing an escape from the enforced immaturity of the socialist system. For the first

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time in 40 years we are reclaiming responsibility for our lives."

Similar pressures have been at work in the Third World. Neighborhood improvement associations have reportedly taken root in a sizable portion of Latin America's 20,000 or so squatter settlements. Elsewhere, cooperatives, women's groups, craft and housing associations and mutual aid groups have grown rapidly over the past two decades. For example, one Indian environmental movement, CHIPKO, emerged from the spontaneous efforts of rural residents to save their dying forest by literally linking their arms around the trees.[1] The General Federation of Iraqi Women, created in 1968, took advantage of the ruling party's stated ideology emphasizing women's equality in order to organize farming cooperatives and other economic initiatives.[2] In Africa as well, a "new wind" of popular democratic protest has stimulated the formation of private self-help groups to improve local living conditions.

There have also been a variety of outside pressures: from the church, Western private voluntary organizations and official aid agencies. In Latin America especially, the Catholic Church has been a significant contributor. Beginning in the 1950s, various dioceses set up charitable organizations to help the urban and rural poor. But following the Castro victory, younger priests pushed for a more radical approach that was ultimately endorsed at the Second Vatican Council and set in motion at a Catholic bishop's conference in Colombia in 1968. The result was the formation throughout Latin America of thousands of *communidades eclesiasticas de base* engaging local priests in the struggle for social justice. Similarly, under Pope Paul II Catholic churches in Warsaw, Gdansk, Kraków and elsewhere in Eastern Europe provided a crucial neutral meeting ground and source of moral support for those agitating for change in the latter 1980s. The Lutheran Church played a comparable role in East Germany.

Numerous Northern private voluntary organizations have also

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[1] Julie Fisher, "Micropolitics: Third World Development Organizations and the Evolution of Pluralism," paper prepared for the International Symposium on the Nonprofit Sector, Bad Honef, Germany, June 10-13, 1987, p. 5.

[2] Shaida A. El Baz, "Historical and Institutional Development of Arab NGOs," paper prepared for the Third Annual International Research Conference on the Nonprofit Sector, Indianapolis, March 15-17, 1992.

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contributed to the growth of the third sector in the developing world. Beginning in the 1960s and 1970s, many such organizations from America and especially Canada and Europe shifted from their traditional emphasis on humanitarian relief to a new focus on "empowerment." Traditional U.S. organizations such as Church World Service and Lutheran World Relief, newer organizations such as Oxfam America and Coordination in Development, and larger foundations such as Rockefeller, Ford and Aga Khan increasingly took up this approach. Besides delivering $4.7 billion of assistance by the mid-1980s, these Northern groups provided the moral support for a thickening network of some 20,000 indigenous nonprofit organizations in the Third World. Similar groups made comparable contributions to third-sector development in Eastern Europe.

The associational revolution may prove as significant as the rise of the nation-state.

Official aid agencies have supplemented and, to a considerable degree, subsidized these private initiatives. Since the mid-1960s, congressional critics of U.S. foreign assistance programs have placed increasing emphasis on involving the Third World poor in development activities and on aiding indigenous organizations and the U.S.-based groups working with them. The Organization of Economic Cooperation and Development's Development Assistance Committee has adopted "participatory development" as its strategy for the 1990s. Even the World Bank, which had traditionally given only sporadic support to private voluntary organizations, recently acknowledged the "explosive emergence of nongovernmental organizations as a major collective actor in development activities" and formed a voluntary-organization advisory committee with extensive Third World involvement.[3]

Finally, pressures to form nonprofit organizations have come from above, from official government policy circles. Most visibly, the conservative governments of Ronald Reagan and Margaret Thatcher

[3] Michael Cernea, "Nongovernmental Organizations and Local Development," *World Bank Discussion Papers*, no. 40, Washington, D.C.: World Bank, 1988, pp. 18-20.

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made support for the voluntary sector a central part of their strategies to reduce government social spending. But even socialist governments have moved in the same direction. President François Mitterrand thus liberalized French laws on charitable giving and created a special state secretary for the "economie sociale," or mutual, cooperative and associational sector. Norway's Labor government recently issued a long-term program stressing the importance of voluntary organizations as mediating institutions between the individual and the larger society. In Japan, a 1990 law permits corporations to deduct charitable contributions for the first time.

Such government pressures have also figured prominently in the Third World and former Soviet bloc. From Thailand to the Philippines, governments have sponsored farmers' cooperatives and other private organizations. Egyptian and Pakistani five-year plans have stressed the participation of nongovernmental organizations as a way to ensure popular participation in development. Even the embryonic nonprofit sector in China has benefited from official encouragement, beginning with the landmark Third Plenum of the Eleventh Central Committee in December 1978, which signaled the start of a process of reform to tap individual initiative and creativity in Chinese society.

WHEN THE STATE FAILS

WHY HAS THIS FLOURISHING of third-sector activity occurred now? Four crises and two revolutionary changes have converged both to diminish the hold of the state and to open the way for this increase in organized voluntary action.

The first of these impulses is the perceived crisis of the modern welfare state. Over the past decade or so the system of governmental protection against old age and economic misfortune that had taken shape by the 1950s in the developed West no longer appeared to be working. Reduced global economic growth in the 1970s helped give rise to the belief that social welfare spending, which had grown substantially in previous decades, was crowding out private investment. The conviction coalesced that an overloaded and over-bureaucratized government was incapable of performing the expanded tasks

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being assigned to it. The politics of the welfare state, moreover, regularly generated pressures for expanded government services that exceeded the willingness of the public to pay for them. Far from simply protecting individuals against unreasonable risk, the welfare state, many believed, was instead stifling initiative, absolving people of personal responsibility and encouraging dependence.

Accompanying the crisis of the welfare state has been a crisis of development. The oil shocks of the 1970s and the recession of the early 1980s dramatically changed the outlook for developing countries. In sub-Saharan Africa, Western Asia and parts of Latin America average per capita incomes began to fall. Indeed, economic performance in the least developed parts of these regions dropped so precipitously that, given their high rates of population growth, average output per person by 1990 was some five percent lower than it had been two decades before. Although progress has been made in some places—most notably the Pacific rim and parts of Latin America—the problems of development have grown so severe that today every fifth person on the globe lives in absolute poverty.

These discouraging realities stimulated considerable rethinking about the requirements for economic progress. One result has been a new-found interest in "assisted self-reliance" or "participatory development," an aid strategy that stresses the engagement of grassroots energies and enthusiasms through a variety of nongovernmental organizations. By making the poor active participants in development projects, this approach has scored significant productivity gains while circumventing what in many places are weak state institutions. The result is a growing consensus about the limitations of the state as an agent of development and the advantages of engaging third-sector institutions as well.

A global environmental crisis has also stimulated greater private initiative. The continuing poverty of developing countries has led the poor to degrade their immediate surroundings in order to survive. Along with wasteful practices and inattention on the part of the wealthy, this has led to serious environmental degradation. Between 1950 and 1983, 38 percent of Central America's and 24 percent of Africa's forests disappeared, and the pace of this decline accelerated

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in the early 1980s. Overuse now threatens to turn to desert two-fifths of Africa's nondesert land, one-third of Asia's and one-fifth of Latin America's. In some areas, such as Central and Eastern Europe, acid rain and related air and water pollution have endangered food supplies and significantly reduced life expectancy.

As these and other aspects of the environmental crisis have become apparent, citizens have grown increasingly frustrated with government and eager to organize their own initiatives. The stunning rise of Green parties in Western Europe is one sign of this response. Similarly, environmental degradation was one of the prime motivations for the emergence of an embryonic nonprofit sector in Eastern Europe, with ecology clubs active in Poland, Hungary, Russia and the Czech Republic.

The failure of socialism helped usher in a search for new ways to satisfy unmet social needs.

Finally, a fourth crisis—that of socialism—has also contributed to the rise of the third sector. While the promise of socialism had long been suspect, the replacement of laggard economic growth with actual regression in the mid-1970s helped destroy what limited legitimacy the communist system had retained. This failure ushered in a search for new ways to satisfy unmet social and economic needs. While this search helped lead to the formation of market-oriented cooperative enterprises, it also stimulated extensive experimentation with a host of nongovernmental organizations offering services and vehicles for self-expression outside the reaches of an increasingly discredited state.

Beyond these four crises, two further developments also explain the recent surge of third-sector organizing. The first is the dramatic revolution in communications that took place during the 1970s and 1980s. The invention or widespread dissemination of the computer, fiber-optic cable, fax, television and satellites opened even the world's most remote areas to the expanded communications links required for mass organization and concerted action. This development, moreover, was accompanied by a significant increase in education and literacy. Between 1970 and 1985, adult literacy rates in the developing world rose to 60 percent from 43 percent. Among males, they reached 71 percent.

The combined expansion of literacy and communications has

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made it far easier for people to organize and mobilize. Communications between capitals and hinterlands that once required days now takes only minutes. Authoritarian regimes that had successfully controlled their own communications networks have grown powerless to stop the flow of information through satellite dishes and faxes. Isolated activists can therefore more easily strengthen their resolve, exchange experiences and maintain links with sympathetic colleagues in their own countries and abroad.

The final factor critical to the growth of the third sector was the considerable global economic growth that occurred during the 1960s and early 1970s, and the bourgeois revolution that it brought with it. During this period, the world economy grew at the rate of five percent per year, with all regions sharing in the expansion. In fact, the growth rate of Eastern Europe, the U.S.S.R. and the developing countries actually exceeded that of the industrial market economies. This growth not only allowed for material improvement and engendered a new set of popular expectations but also helped create in Latin America, Asia and Africa a sizable urban middle class whose leadership was critical to the emergence of private nonprofit organizations. Thus if economic crisis ultimately provoked the middle class to action, this prior economic growth created the middle class that could organize to respond.

STRIPPING AWAY THE MYTHS

DESPITE THE IMMENSE expectations that have been placed upon the third sector, it is still far from clear how effectively it can respond to current opportunities. For all its recent dynamism, this sector remains vulnerable to a variety of internal tensions and external constraints. What is more, a number of misperceptions impede its ability to deal effectively with the real challenges it faces. How the sector evolves will depend in large part on how well the myths about it are understood, how the sector balances the trade-offs it faces, and how other institutions respond.

The first of these misperceptions is the "myth of pure virtue." The nonprofit sector has gained prominence as a fundamentally flexible

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and trustworthy vehicle for the realization of elemental human yearnings for self-expression, self-help, participation and mutual aid. With roots very often in religious and moral teachings, it has acquired a saintly self-perception and persona, and a certain romanticism now surrounds its presumed ability to change people's lives.

Without denying the fundamental validity of this image, it is nevertheless important to recognize that these institutions have other sides as well. For all their much-vaunted flexibility, nonprofit organizations remain organizations. As they grow in scale and complexity, they are vulnerable to all the limitations that afflict other bureaucratic institutions—unresponsiveness, cumbersomeness and routinization. Nonprofit organizations may be less prone to these disabilities than government agencies, but they are hardly immune to the inevitable tensions that arise between flexibility and effectiveness, grass-roots control and administrative accountability.

Support for the nonprofit sector has at times been used to rationalize assaults on government social welfare spending, as was the case in the United Sates in the 1980s. Similarly mixed motivations have contributed to the growth of the voluntary sector in the developing world. Far from an instrument of grass-roots independence, nonprofit organizations have sometimes functioned as vehicles for extending the influence of national political leaders. Moreover, nonprofit organizations may perform an essentially "system maintenance" function. A study of the Harambee movement in Kenya, for example, notes that while Harambee channels some highly visible private wealth into socially useful projects, it also serves to "justify the accumulation of wealth and power and the perpetuation of inequities."[4] More generally, as Brian Smith has argued, even change-oriented nonprofit organizations can bolster the position of local elites by helping to "harness the energies of regime opponents from the middle class, which might have been channeled into more radically political or even revolutionary alternatives." Nonprofit initiatives, he writes, are often used to signal "foreign critics that authoritarian, one-party

[4] Barbara Thomas, "Development Through Harambee; Who Wins and Who Loses? Rural Self-Help Projects in Kenya," *World Development*, Autumn 1987, p. 477.

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or elite-controlled governments allow a certain degree of pluralism and space for private initiative in their societies."[5]

A closely related misperception is the "myth of voluntarism," the belief that true nonprofit organizations rely chiefly, even exclusively, on private voluntary action and philanthropic support. This myth is particularly pervasive in American thinking about the nonprofit sector. It is undergirded by a conservative political philosophy that sees an inherent conflict between the state and "mediating" voluntary institutions. In this line of thinking, the growth of the state poses a fundamental challenge to voluntary groups, robbing them of functions and ultimately leading to their demise. The key to the expansion of the third sector, then, is to reduce the role of the state.

One myth about the nonprofit sector is that it relies chiefly on private philanthropic support.

In fact, however, the relationship between government and the nonprofit sector has been characterized more by cooperation than conflict, as government has turned extensively to the nonprofit sector to assist it in meeting human needs. In the United States, reliance on the nonprofit sector is part of a broader pattern in which the government pursues much of its domestic policy through "third parties"—colleges, universities, research institutes, commercial banks, etc. Nonprofit organizations' distinctive character as semipublic institutions makes them favorite partners in this system of "third-party government." Government has thus emerged as a major source of financial support for America's nonprofit sector, outdistancing private philanthropy by almost two to one. In other advanced countries, government support is even more pronounced.

Unfortunately, this widespread partnership has escaped the notice of many observers. As a result, the myth of pure voluntarism threatens to consign the nonprofit sector to a more marginal role than might otherwise be the case. Meager local resources and the profound sense of fatalism and suspicion that often envelops the poor mean that depending chiefly on a spontaneous upsurge of voluntary activity

[5] Brian H. Smith, *More Than Altruism: The Politics of Private Foreign Aid*, Princeton: Princeton University Press, 1990, p. 277.

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almost ensures failure. Even in developed countries, where the scope of private charitable support is far greater, such support often comes with strings attached. While voluntarism and private giving are vital to the special character of the sector, they are best seen as just one of several potential sources of support.

Another misconception is "the myth of immaculate conception," the notion that nonprofit organizations are essentially new in most parts of the world. While recent years have witnessed a dramatic upsurge in organized voluntary activity, such activity has deep historical roots in virtually every part of the world. Such activity was evident in China in antiquity and was strengthened and institutionalized under Buddhism from at least the eighth century. In Japan, philanthropic activity can also be traced to the Buddhist period, and the first modern Japanese foundation, the Society of Gratitude, was established in 1829, almost a century before the first American foundation. In Eastern Europe, too, the recent emergence of nonprofit organizations builds on a rich philanthropic tradition that long predated the communist takeover. Recent developments thus represent not simply the emergence of wholly new arrangements but, in significant measure, the reemergence of earlier patterns.

Careful efforts must thus be made to acknowledge the nonprofit sector's peculiar historical roots and to recognize existing traditional institutions based on tribe and caste. These roots are quite substantial, even in institutional settings such as Africa, where the weakness of the national state has long obscured the existence of a vibrant associational life that predated the colonial era. For the leaders of nonprofit organizations, the task is to find ways to utilize traditional ties and institutions but mobilize them in support of new forms of action.

THE ART OF ASSOCIATING TOGETHER

THE NONPROFIT SECTOR has clearly arrived as a major actor on the world scene, but it has yet to make its mark as a serious presence in public consciousness, policy circles, the media or scholarly research. For emerging third-sector organizations to be taken seriously by others, however, they must take themselves seriously first. Nongovernmental

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organizations must give greater sensitivity to the trade-offs that exist between voluntarism and professionalism, between the informality that gives these organizations their special character and the institutionalization necessary to translate individual victories into permanent achievements. Evaluations of the performance of nongovernmental organizations in developing countries, for example, regularly credit these organizations with the ability to reach outlying communities, promote participation, innovate and operate at low cost but fault them for their limited replicability, lack of technical capacity and isolation from broader policy considerations.

Managers of third-sector organizations will have to give more attention to training and technical assistance, and those providing support to these organizations will have to go beyond "feel-good philanthropy" and short-term project grants to long-term institutional support. The third sector has clearly come of age on the global scene, but it must now find ways to strengthen its institutional capacities and contribute more meaningfully to the solution of major problems—all without losing its popular base and flexible capacity for change. Finally, perhaps the most decisive determinant of third-sector growth will be the relationship that nonprofit organizations can forge with government. The task for third-sector organizations is to find a modus vivendi with government that provides sufficient legal and financial support while preserving a meaningful degree of independence and autonomy.

"Among the laws that rule human societies," Alexis de Tocqueville wrote 150 years ago, "there is one that seems more precise and clear than all others. If men are to remain civilized or become so, the art of associating together must grow and improve in the same ratio in which the equality of condition is increased." A century and a half later a veritable associational revolution seems to be under way at the global level. The resulting surge of interest in nonprofit organizations has opened the gates to vast reservoirs of human talent and energy, even while it has created dangers of stalemate and dispute. While it is far from clear what must be done to keep these gates open, a crucial first step is a better understanding of the dramatic process under way and the immense new challenges it represents.

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Beating Back Predatory Trade

Alan Tonelson

CONFOUNDING THE CONVENTIONAL WISDOM

CONTRARY TO WIDESPREAD beliefs, relief from predatory foreign trade practices has played a major role in revitalizing key American industries in recent years. Five major American industries—automotive, steel, machine tool, semiconductor and textile—have received significant relief from imports through intelligently structured trade laws. Those industries have confounded the predictions of laissez-faire economic ideologies by gaining market share at home and in some cases abroad, contributing to job creation and reinvigorating American competitiveness. Even in industries that have aggressively downsized since the early 1980s—such as the steel industry—relief from imports has prevented job loss from worsening. In addition, the cost of these programs is far smaller than commonly believed.

President Bill Clinton has given trade policy unprecedented attention not only by supporting the North American Free Trade Agreement (NAFTA) and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), but by making sallies against trade barriers in Europe and promoting American business in the Pacific Basin. Moreover, his efforts in the framework talks with Japan and recent export initiatives have sought to strengthen American industry and

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create high-wage jobs by opening foreign markets to U.S. goods. But the Clinton administration's policies and programs have come under attack from many foreign governments, who portray them as unilateral protectionism in violation of world trade law, and from many economists, who consider them threats to freer trade. On the contrary, if not addressed in the implementing legislation that must be passed by Congress, significant problems for the economy could be created by the recently signed Uruguay Round agreement. It could significantly dilute several U.S. trade laws and import relief programs, weakening America's ability to respond to predatory foreign trade practices.

THE IMPORT RELIEF RECORD

THE NOTION THAT import relief can achieve lasting net benefits clashes violently with the prevailing wisdom of laissez-faire economics. Protectionism of any kind or degree, many economists insist, only shelters inefficient companies and hinders the process of "creative destruction"—an oxymoron coined in 1942 by economist Joseph Schumpeter—the process through which capitalism unsettles people's lives through job losses and career changes but eventually enriches most of them.[1] In particular, this orthodoxy teaches that industries and companies receiving import relief grow lazy and greedy. Shielded from competition, these firms allegedly lose incentives to innovate, boost efficiency and hold down prices. Instead, they rest on their technological laurels, forget about quality, jack up prices and greedily suck windfall profits out of captive markets.

These textbook staples, however logical-sounding, have been completely contradicted by much of America's recent experience with

[1] Self-styled champions of free trade have largely succeeded in their efforts to attach fatally pejorative connotations to the terms "protection" and "protectionism"; thus, I opt for the term "import relief." But definitional considerations require its use as well. Free traders as a group, ironically, countenance numerous trade distortions, such as economic buffers for infant industries or defense manufacturers, but they regularly stigmatize advocates of import quotas, tariffs or enforcing U.S. trade laws as zealots who would create a hermetically sealed U.S. economy destined to implode. The mere term "protectionism" has become such a bugbear that it clouds debate and stifles fresh thinking on trade issues and national economic policy.

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import relief. The U.S. automobile, semiconductor, machine tool, steel and textile industries all received significant import relief throughout the 1980s and 1990s. In all five industries—which total hundreds of companies, employ millions of workers and span the technological spectrum—new investments in plant, equipment and research and development surged, productivity shot up, quality improved and prices rose at rates very close to overall inflation rates, and sometimes below them. As documented in several studies, notably the Fall 1993 report by the McKinsey Global Institute, *Manufacturing Productivity,* Japan maintains a significant productivity lead in some of these industries. However, American manufacturers have not only improved their performance in absolute terms, but in some cases they have narrowed the gap. Most of the industries cited here recaptured market share from foreign competitors at home, abroad or both.

THE BIG THREE: BABY, YOU CAN DRIVE MY CAR

BATTERED BY fuel-efficient imports from Japan and a vicious cycle of poor management decisions, faltering productivity and deteriorating quality, the Big Three U.S. automakers—General Motors, Ford and Chrysler—secured import relief from the Reagan administration in 1981. Under pressure from Washington, Japan agreed to a so-called voluntary export restraint (VER) agreement that limited its exports of motor vehicles to the United States to 1.65 million units annually. The VER expired in 1987, but since then the Japanese have continued to stay well within its ceilings, in part because Japanese manufacturers shifted much assembly work to new U.S.-based transplant factories.

Detroit responded positively to the opportunity. By 1985, investment in new plant and equipment had reached a level double that of 1975 in real terms. And despite the explosion of technology-intensive information industries during the 1980s, the automobile industry slightly increased its share of total U.S. corporate research and development spending, to 12.4 percent. By 1984, the Big Three's productivity was rising at a 6.5 percent annual rate, compared with 3.3 percent for all U.S. manufacturing. For the entire 1980-1992 period, the industry's productivity increased by 44.2 percent. Meanwhile, U.S. vehicle

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and parts makers have pioneered development and commercialization of products, such as minivans and compact sport utility vehicles, as well as technologies, such as electronically controlled automatic transmissions, cab-forward design and integrated child seats.

Moreover, according to independent surveys, during the 1980s the Big Three significantly narrowed the gap with their Japanese competitors in many important areas, and in some cases overtook them. In 1980, for example, according to Consumers' Union, owners of Chrysler, Ford and General Motors vehicles reported 89, 100 and 109 defects per 100 cars in new model lines, respectively. The figures for Toyota, Honda and Nissan were 24, 34 and 47, respectively. By 1990, the Japanese figures had dropped to 14 for Honda, 15 for Nissan and 16 for Toyota. But the Chrysler, Ford and General Motors rates had plummeted to 31, 30 and 35, respectively. As of 1992, according to J.D. Power & Associates, six of the 14 best quality cars priced under $20,000—a range that is traditionally the strong suit of Japanese producers—were models of the Big Three.

The Big Three have narrowed the gap with Japanese producers in many areas—and in some cases surpassed them.

In addition, despite the proliferation of Japanese transplant factories, Detroit is regaining a share of the U.S. motor vehicle market—posting nearly a full percentage point gain (to 73 percent) during 1993. And contrary to widespread charges of price gouging, the prices of American-made passenger cars increased less after the VER was imposed than before. From 1972 to 1980, car prices rose 62 percent—or 69 percent of the increase in the Consumer Price Index, less energy costs. In the eight years following the VER's imposition, car prices rose 32 percent, or 65 percent of the increase in the CPI, less energy costs. Since 1988, the rise in U.S. auto prices has been even slower—just 52 percent of the increase in the CPI. Despite the Big Three's comeback, however, the U.S. auto industry still faces a huge external problem: the closed automobile market in Japan. With the world's second-largest automobile market virtually impervious to imports, and with its producers consequently able to export from a sanctuary, a strong case for maintaining the VER can still be made.

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STEELING MARKET SHARE

STARTING IN THE 1970s, the American steel industry went into a tailspin similar to that of the auto sector. The industry itself and unions were partly to blame. Investment in new technologies and facilities lagged while labor continually sought and received wage and benefit increases that far exceeded productivity gains. American steel makers faced structural problems as well. Because their Japanese and European competitors completely rebuilt their production bases after World War II (often with U.S. aid) they enjoyed state-of-the-art factories. As a result, America's share of world steel production fell from over 50 percent at the end of World War II to 26 percent in 1960 and 14.2 percent in 1980. In addition, many rich and poor countries alike saw steel as a road to riches and progress and thus heavily subsidized existing and new steel industries. Subsidies continued even after demand slumped in the 1970s, resulting in massive overcapacity.

Foreign steel sales rose from 12.4 percent of the U.S. market in 1973 to 18 percent in 1977 to a peak of 26.4 percent in 1984. Indeed, the United States has been the only major industrialized country to be a consistent net importer of steel in recent years. From 1977 to 1984, Washington instituted a series of "trigger price" arrangements designed to help U.S. steel-makers by preventing dumping by Japan and the European Community. But these measures failed, and in 1984 the Reagan administration was forced to attack the problem through a series of VERs and other bilateral trade agreements. These agreements, which did not go into effect until 1987, limited imports of finished steel to 18.5 percent of the U.S. market and imports of semifinished steel products to 20.2 percent of the market. In 1989 the Bush administration extended the VERs—with higher import limits—until March 1992, when they were allowed to expire. In 1989 the administration also began negotiating a multilateral steel agreement designed to end market-distorting steel trade practices, eliminate steel subsidies and open steel markets. A new round of multilateral steel talks began in June, but little progress has been made and little is expected in the near future.

Import relief gave the American steel industry a major opportunity

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to reinvent itself, and despite incurring operating losses of $7.4 billion during the 1980s, it seized the opportunity. Whereas the steel industry's capital expenditures fell from $2.6 billion in 1980 to $862 million in 1986, purchases of new plant and equipment bounced back to $2.5 billion by 1990. In fact, in fiscal 1991, the plant and equipment expenditures of the major U.S. steel companies far exceeded their cash flow. Moreover, much of the $22.5 billion invested by the industry in new plant and equipment from 1980 to 1989 was plainly due to the VER's stipulation that most of the industry's cash flow be plowed back into modernization and worker training.

The VERs had another important effect on new investment in the industry—they were largely responsible for attracting $3 billion of Japanese and Korean capital and cutting-edge production technology to American facilities, primarily for creating high-end products. The foreign resources poured into new ventures with U.S. partners and ensured that thousands of steel-making jobs stayed in the United States. With better factories and tools, American steel workers greatly boosted their productivity—by an average of 4.3 percent annually between 1980 and 1992. And the rates in America's cutting-edge minimills are even higher. In turn, heightened productivity and a cheaper dollar enabled U.S. companies—led by the minimills—to become among the world's lowest-cost steel producers. Indeed, the industry's costs per ton fell 20 percent between 1982 and 1992. Further, from 1982 to 1991, U.S. producer prices for the iron and steel sector rose only 14.1 percent, compared with a 16.5 percent figure for U.S. manufacturing industries as a whole. According to the industry's toughest judges—its customers—the quality of American steel products has steadily improved.

RETOOLING MACHINE TOOLS

TRADE RELIEF has helped the U.S. machine-tool industry bounce back as well. By 1986 the overvalued dollar, subsidized foreign competition and stiff trade barriers (including discriminatory procurement by foreign manufacturers operating in the United States) had helped foreign machine tool makers to grab an astounding 62 percent of the U.S. market. In the 1960s, the United States led the world in

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machine-tool production, with more than a fourth of international output; by 1986 its share had sunk below ten percent.

President Ronald Reagan recognized that the industry, which produces metal cutting and shaping devices, assembly machines, inspection and measuring machines, and automated manufacturing systems, was a "small but vital component of the U.S. industrial base." It represented an equally vital pillar of the defense industry. In 1986 the Reagan administration negotiated VERs with Japan and Taiwan on six classes of machine tools. The VERs were extended for two more years by President Bush in 1991 and finally expired at the end of 1993.

In the mid-1980s, dispirited by Washington's hands-off attitude, companies about to be affected by the VERs had begun disinvesting, with their ratio of capital spending to depreciation falling below 80 cents on the dollar. By 1992, seven years after the VERs were negotiated, the ratio had soared to $1.61 spent on new equipment for every dollar taken in depreciation. Research and development spending has jumped as well, from 5.2 percent of sales in 1987 to 11.9 percent in 1992. Moreover, VER-affected firms' prices rose only slightly during this period, and their pretax income remained well below that of U.S. manufacturers in general. In other words, far from pocketing profits, as laissez-faire theory predicts, machine tool makers receiving import relief put most of their earnings into improving their products. Machine-tool producer prices rose 34.6 percent between 1982 and 1991, but this increase was lower than the overall inflation rate of 37.9 percent.

Machine-tool makers did not greedily pocket profits; earnings were put into improvements.

The results of this retooling have been a vast array of new products and dramatic progress in regaining old domestic markets and winning new foreign customers. From 1986 to 1992, machine-tool exports doubled, to $1 billion. In the world's fastest-growing machine-tool market, China, U.S. exports surged by 63 percent between 1987 and 1992. Japanese and German exports to China fell 30 percent and 12 percent, respectively, during those years. Meanwhile, on the home front, import penetration into the markets of VER-affected companies dropped from the 1986 peak of 62 percent to 49 percent in 1992.

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SEMICONDUCTORS

SEMICONDUCTORS ARE the critical high-tech building blocks of American manufacturing, but in the mid-1980s this archetypal industry of the future faced a crisis as well. Illegal dumping, principally by Japanese producers, was driving U.S. semiconductor makers to the brink of bankruptcy. In both 1985 and 1986, the U.S. industry reported losses of nearly $2 billion, and 25,000 workers lost good jobs at good wages. U.S.-based chipmakers saw their share of world markets shrink from 57 percent in 1981 to 40 percent in 1987. During the same period, Japanese companies vaulted into first place, increasing their world market share from 33 percent to 48 percent.

In September 1986, the United States and Japan negotiated an agreement that the Reagan administration claimed committed Tokyo to boost foreign companies' share of the Japanese semiconductor market, the world's largest, to 20 percent within five years. The Japanese also unequivocally pledged to stop dumping. Yet dumping only stopped six months later, when Reagan imposed punitive tariffs on many Japanese electronics imports to protest Tokyo's continued obstinacy.

Rather than take the protection and run, the American semiconductor industry accelerated its retooling efforts. Research and development expenditures continued to increase at a whopping 17 percent annual rate through 1992, and research and development as a percentage of the industry's sales revenue remains roughly 40 percent higher than early 1980s levels. Labor productivity soared at an impressive 16 percent annual rate during the same period and has risen even more over the last two years.

The results speak for themselves. With the aid of the Semiconductor Agreement (which was renewed in 1991 and remains in place), sales of foreign chips in Japan edged above 20 percent in late 1993 and currently are just below that threshold. U.S. merchant chips continue to account for some 90 percent of these increased foreign sales. By 1991, U.S. merchant producers held 50 percent of the world semiconductor market outside the still largely closed Japanese market. By 1992 U.S.-based companies had moved into a tie with their Japan-based competitors in the world semiconductor production race, and they

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maintained a small lead in 1993. Just as important, U.S. producers introduced scores of innovative products to world markets. And producer prices for the industry increased only 4 percent between 1982 and 1991—less than one-fourth the rise for all manufacturing. Since 1986, when the Semiconductor Agreement was negotiated, producer prices in the industry have actually fallen slightly.

TEXTILES AND APPAREL

SINCE THE LATE 1950S, the American textile and apparel industries have received various forms of import relief. And since 1974, world trade in these sectors has been governed by the Multifiber Arrangement (MFA), which seeks to prevent disruptive floods of textiles and apparel into the world's major consuming countries by establishing quotas for the world's exporting countries.

The MFA, however, is hardly an impregnable trade barrier. The quotas for exporters—principally low-wage Third World producers such as China and India—must be increased every year. Currently, they stand so high that many exporting countries have trouble filling them. Further, no provisions exist for reciprocity; thus Third World exporters are required to import virtually nothing. The result is import penetration levels that have reached 44 percent for the two industries combined. The MFA will be phased out in ten years because of the GATT accord, despite the failure of U.S. negotiators to get significant foreign market access at the Uruguay Round talks.

Nonetheless, the last decade or more has seen a frenetic modernization by U.S. textile and apparel companies. Annual new capital expenditures for textile mill products have climbed in real terms from $1.6 billion in 1980 to nearly $2.5 billion in 1993, financing major purchases of electronically monitored looms and other new equipment. Industry-financed research and development increased from $116 million in 1981 to $210 million in 1988. And productivity shot up by more than 77 percent between 1980 and 1992. On the management end, U.S. textile companies introduced many new fabrics and fibers and shortened production cycles significantly. Meanwhile, since 1982, producer prices for textiles have risen only 16.3 percent, just under the

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16.5 percent figure for all industrial commodities. Free trade advocates are entitled to ask why the textile and apparel industries began their modernization campaigns well after the MFA was implemented. In response, advocates of import relief are entitled to ask why, in direct contradiction of free-trade ideology, these industries launched and sustained significant modernization while enjoying import relief.

A THEORY FULL OF HOLES

WHY HAS THE conventional wisdom of free trade been so wrong? Three gaping holes in its theoretical foundations are partly responsible. First, economic theorists ignore common business sense. Declining investment in declining industries is no mystery, and certainly no sign of moral turpitude. Rather, it is the only intelligent response for an industrialist whose government has ignored the threats from abroad posed by dumping, protected foreign markets and subsidized competition and who faces macroeconomic, tax and regulatory policies at home that have dramatically eroded the economy's capacity to create wealth and reduced incentives to save and invest.

Import relief measures helped convince industries that they were not stuck with trying to buck impossible odds, competing unaided in a world in which free-trade principles are too often honored in the breach. Import relief programs signaled to executives that their industries could indeed have a future and that retooling stood a real chance of being rewarded. Further, import relief often helped firms amass the finances to make investments that would bolster their bottom lines and ultimately improve their access to capital markets.

Second, economists overlook one of their most venerable concepts—the infant industry phenomenon. Since Adam Smith's day even the most ardent laissez-faire champions have recognized that import relief can be essential to helping new companies break into the markets of long-established industries, establish market share abroad and get a leg up on competitors in new industries. Both nineteenth-century America and post-World War II Japan nurtured infant industries skillfully enough to become economic superpowers.

Today, laissez-faire theory still seems to accept the value of shel-

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tering infant industries, but only when implemented by Third World countries (presumably because they stand at the bottom of the economic ladder). But this rule of thumb may be obsolete because of the distinctive nature of modern industry and advanced technology. As pointed out by Edward Luttwak, fundamentally new technologies and manufacturing processes now emerge so rapidly and product cycles are so short (even in long-established sectors such as steel and textiles) that the functional equivalents of infant industries may be springing up in developed and developing countries alike. Thus a commonsensible modification of well-established economic theory indicates that import relief could give even competitive, established industries the time and resources needed to innovate continually and remain competitive. This breathing space is even more important when competitors are protected or subsidized.

Third, theorists have ruled out the possibility that public policymakers could ever be smart enough to develop import relief programs that give industry a realistic chance to survive and at the same time keep the competitive pressure on. The steel VERs, for example, were explicitly linked to industry modernization and retraining efforts. Likewise, the MFA has set quotas for textile and apparel imports, but the quotas expand every year.

A REALISTIC JOBS CALCULUS

ANOTHER MAJOR reason U.S. policymakers have not adequately employed import relief programs, despite their proven success, is the alleged cost of these programs to consumers and taxpayers. Laissez-faire advocates insist that, whatever their benefits to industry, all tariffs and quotas are unacceptable because they preserve particular American jobs at an exorbitant cost to all taxpayers and consumers. One recent, widely quoted study by the laissez-faire-oriented Institute for International Economics (IIE), titled *Measuring the Costs of Protection in the United States,* pegs the cost to American consumers of such U.S. trade barriers at $70 billion in 1990. According to laissez-faire thinking, the resources spent on keeping workers employed by uncompetitive industries could be better spent by the public or private sector on promoting economic

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activity in fields where Americans have clearer comparative advantages.

Yet the studies behind these arguments tend to examine the costs and benefits of job preservation selectively. They typically include costs that have little to do with sheltering industries and workers that are incapable of competing in open international markets, and they ignore many of the efficiency and output gains from maintaining employment that would otherwise be threatened.

The IIE study is a case in point. For instance, more than 40 percent of the estimated $70 billion cost of protection is derived from tariffs that have been part of the world trading system for decades. Not only have these tariffs fallen to very low levels (two to three percent on average), but their main purpose is often raising revenue. They should not be counted as expenditures for job protection. In addition, many of the U.S. policies and laws that preserve American jobs were instituted to offset predatory foreign trade practices, such as heavy subsidies and dumping, that give foreign producers major advantages in American and global markets and have nothing to do with levels of economic competitiveness.

Washington has designed import relief programs intelligently.

Moreover, the IIE authors themselves recognized that the $70 billion figure is a gross figure. Acknowledging that most of the added consumer costs remain in the United States (either as higher profits for domestic producers or added tax revenues from tariffs) they estimate the net cost of protection to be a mere $11 billion—a drop in the bucket in a $6 trillion economy. And even this figure is dubious. Additional economic costs caused by import relief are no doubt incurred from the misallocation of some resources, but the authors ignore a much broader range of benefits. These include the savings on adjustment costs for workers who would have lost their jobs without import relief, the added new investment that would be required to employ them in other industries, the potential benefits to productivity if the domestic producers and the federal government use their added profits and tariff revenues to finance new private and public investment, and the long-term output and technology benefits of saving an industry threatened with destruction.

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Ironically, many of the economists who rail against import relief on principle support various other measures that exact considerable consumer costs: consumption taxes, oil import fees or gasoline taxes, and exchange-rate management. In these cases, they understand that goals other than short-term consumer welfare, such as higher national savings rates or greater energy security, often deserve national support. But when the trade-off involves balancing the goal of lower consumer prices against the goals of boosting employment, preserving communities dependent on certain industries or holding down welfare rolls, these economists turn a blind eye.

WALL-TO-WALL ECONOMY

IMPORT RELIEF is like any other public policy. It is neither inherently good nor inherently bad. It can be done well or it can be done poorly. Contrary to the predictions of laissez-faire ideologues who claim that government can do nothing right, or that government support for business inevitably degenerates into an endless exercise in pork-barreling, Washington has in recent years designed import relief programs intelligently, with just the right combination of carrots and sticks needed to give threatened industries a second chance. Contrary to the predictions of business bashers, American corporations have not tried to remain on the dole indefinitely, and have usually not viewed import relief as an opportunity to sit back and fatten their coffers at consumer and taxpayer expense. Instead, they have worked overtime and spent vast sums to reinvent themselves. Not all of the energy or money was wisely spent, but the effort was made, and all five industries examined have scored major successes. Import relief is no panacea for America's economic ills. But if one examines the facts, instead of the dogma, it will be seen as an essential component of a comprehensive approach to boosting competitiveness.

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Media Pervasiveness

James F. Hoge, Jr.

GLOBAL REACH AND PICTURE POWER

THE DRAMATIC INCREASE in live television reporting of international crises began just five years ago with the satellite coverage of the Tiananmen square demonstrations. CNN pioneered such real time coverage and other broadcasters adjusted rapidly upon seeing its power. Print journalism also modified its style to intensify emotional and on-the-spot depictions, often at the expense of analysis. These capabilities of modern media to be immediate, sensational and pervasive are unsettling the conduct of foreign affairs. This would be so were the Cold War still underway, but in the shapeless aftermath of a clear-cut superpower rivalry the impact of media's immediacy is magnified. The technology that makes possible real-time, global coverage is truly revolutionary. Today's correspondents employ lap-top computers, wireless telephones that transmit directly to satellites and mobile satellite dishes to broadcast vivid pictures and commentary from the scenes of tragedy and disorder without the transmission delays, political obstructions or military censorship of old.

For policymakers, the nonstop coverage of CNN (also coming in the future from the BBC and others) presents opportunities to constantly monitor news events and disseminate timely diplomatic information. Despite these benefits, politicians are more concerned than elated by global, real-time broadcasting. They worry about a "loss of control" and decry the absence of quiet time to deliberate choices,

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reach private agreements and mold the public's understanding. They point with nostalgia to how those opportunities helped President John F. Kennedy respond safely to the discovery of Soviet missiles in Cuba. In an era when satellite intrusiveness was still a government monopoly, Kennedy was able to sustain secrecy for six days of crucial negotiations. Television in 1962 was sufficiently underdeveloped that Defense Secretary Robert McNamara did not turn on a television set during the two weeks of the crisis.

Today's pervasive media increases the pressure on politicians to respond promptly to news accounts that by their very immediacy are incomplete, without context and sometimes wrong. Yet friend and foe have come to expect signals instantly, and any vacuum will be filled quickly by something. Former Secretary of State George Shultz suggests the dilemma in his observation that live television "puts everybody on real time, because everyone is seeing the same thing."

The new norm of responding to crises with immediate statements results in anxious scrambles like that of the U.S. government upon learning of President Boris Yeltsin's closure of the Russian parliament last October. Alerted early in the day to the crackdown, the State Department's upper echelon suspended normal business to focus on what the secretary of state and the president should say on television by 4 p.m. In another era, the diplomatic norm would have been "the less said the better" until far more was known.

THE RIGHT LESSONS

THE DIFFICULTIES of adjusting to this new age, however, are compounded when all manner of problems, with separate causes, are attributed to media pervasiveness. Key among these are an absence of perceivable government strategy and changes in the composition of America. In hindsight, the Cold War provided a gauge for determining the importance of events by how much they affected America's security versus that of its superpower rival. The parameters of press coverage tended to be those of the country's foreign policy—the containment of communism and Soviet expansionism. The press was often critical, but of the execution of policy more than the aims.

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With the old gauge lost, policymakers and the media alike are struggling to understand the new international order of risks and opportunities. They are doing so with a less attentive audience. The eyes of the American public are focused on domestic problems more than on the dismaying unruliness that so quickly succeeded the euphoria at the end of the Cold War. Surveys such as those done by the Times Mirror Center for the People & the Press document strong public sentiment that the nation earned the right to address its societal ills by having borne the expense of containment for so long.

For policymakers, adjusting to media pervasiveness must start by drawing the right lessons from the chaos of recent years. If policymakers want to set the agenda and not leave it to the media, they must have an agenda. The existence of policy that can command public support against emotional swings stirred up by television imagery is key. In the absence of persuasive government strategy, the media will be catalytic. This is the process we have witnessed repeatedly of late, when a crisis erupts and, in the absence of any clear statement of interests and threats, the press raises humanitarianism above more concrete national interests as an exclusive justification for action and intervention. The resulting annoyance of policymakers was pointedly expressed in British Foreign Secretary Douglas Hurd's jab at foreign correspondents during a speech last September: "They are founding members of the 'something must be done' club."

In the absence of persuasive government strategy, the media will be catalytic.

The power of pictures has been repeatedly demonstrated in several post-Cold War incidents. In April a hitherto impotent NATO swiftly imposed a limited ultimatum in the Bosnian conflict after a mortar shelling of a Sarajevo marketplace caused horrifying civilian casualties. Observers on the scene questioned why this particular loss of life—no greater than others occurring in Bosnia—led to action against the Serbian siege. In good part, the answer was television. A CNN crew happened to be out and about the city that Saturday morning. National Security Advisor Anthony Lake's "enlargement" speech of last September identified the problem and the antidote: "Public pressure for

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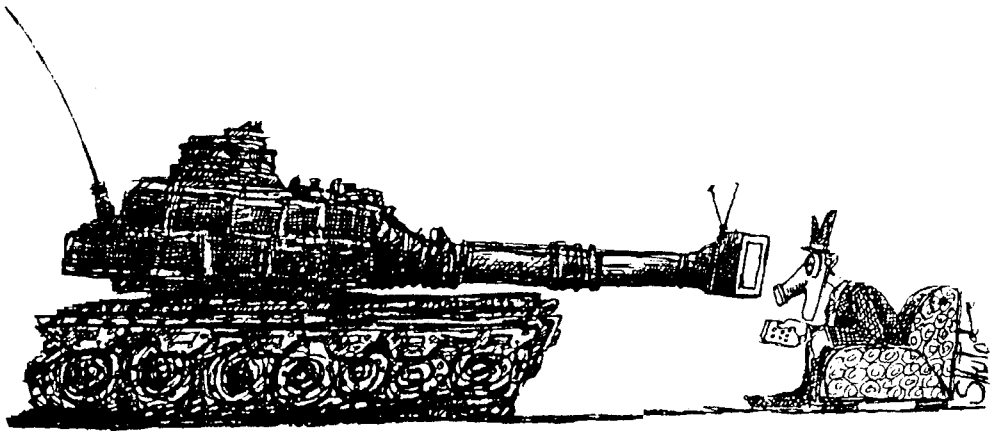

SHUTO, ITALY, CARTOONISTS & WRITERS SYNDICATE

our humanitarian engagement increasingly may be driven by televised images, which can depend in turn on such considerations as where CNN sends its camera crews. But we must bring other considerations to bear as well: cost; feasibility; the permanence of the improvement our assistance will bring; the willingness of regional and international bodies to do their part; and the likelihood that our actions will generate broader security benefits for the people of the region in question."

The antidote is more easily identified than applied, as illustrated by the response to those television images of the shelling in Sarajevo. Threatened NATO air strikes, while benefiting the city's citizens, provoked major policy uncertainties and may point to the danger of media-driven initiatives. State and Defense Department officials disputed the further applicability of limited intervention. Subsequent air strikes against Serbian positions around the Muslim enclave at Gorazde resolved the question only briefly. For a time the Bosnian Serbs continued shelling and advancing their tanks on the United Nations "safe haven." Next steps—whether toward negotiations or further intervention—remained uncertain.

A similar absence of articulated policy contributed to the public's harsh reaction against continued American involvement in Somalia after 18 U.S. soldiers were killed. In his waning days as president, George Bush reacted to televised pictures of starving Somalians by committing U.S. armed forces to a limited and supposedly doable assignment of famine relief. When the assignment expanded in the early Clinton administration to include warlord hunting, it provoked

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a devastating firefight in the streets of Mogadishu. In truth the probability of hostilities was inherent from the beginning. While adversaries were still fighting, no humanitarian operation could remain free of the conflict. And the American public was unprepared to accept casualties where vital U.S. interests were not at stake.

The enduring impression on public attitudes was made by the violent suppression of student demonstrations in Beijing's Tiananmen square. Images of students demanding free expression, of a lone protester facing down a tank, followed by reports of violent repression after the television cameras were barred from the area, drastically altered U.S. opinion, starting at the top. Bush administration press secretary Marlin Fitzwater fingered the media's impact in this 1991 observation, recorded in the *Chicago Tribune*: "We were the first government to respond, labeling it an outrage and so forth, and it was based almost entirely on what we were seeing on television. We were getting reporting cables from Beijing, but they did not have the sting, the demand for a government response that the television pictures had."

Rapidly, American public and political support evaporated for acquiescence to China's expected evolution from economic improvement to political liberalization. Congress, and then candidate Bill Clinton, reacted spasmodically and linked improvement in China's human rights record to continued tariff preferences. One year into his presidency, Clinton realized the tight linkage of those issues threatened to damage a number of U.S. interests. At the deadline for renewing China's most-favored-nation tariff preferences, Clinton substantially decoupled trade and human rights policies. The power of television imagery and the campaign rhetoric it provoked remained to be offset by selling the new realism to the public.

THE WRONG LESSONS

WITH THE PASSAGE of time, we are seeing the application of lessons learned by the military from America's first televised war in Vietnam. Many of today's officers subscribe to the belief that television coverage turned the public against the war, thus undermining the chances for victory. They cite images of bloodied GIs, body bags, inde-

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cisive battles and civilian casualties. These lessons, which are influencing the military's media policy, are wrong in important ways.

The American public, in fact, supported the Vietnam War and its "containment" justification for a full five years. Attributing disenchantment to bloody televised images ignores findings that fewer than two percent of television presentations during the war showed any blood. The fact, not the image, of body bags was the important factor. University of Michigan researchers found a positive correlation between the decline of support in specific communities and the number of dead soldiers returned home. (Long before the television age, a similar correlation led to mounting protest in Great Britain against the Boer War.) Support for the Vietnam intervention fell below 50 percent only after President Lyndon Johnson implied in a March 1968 speech that he considered the war unwinnable.

From its understanding of Vietnam came the military's subsequent emphasis on quick resolutions, limited media access and selective release of "smart" weapons imagery. The public, however, will not remain dazzled when interventions become difficult. As in Vietnam, public attitudes ultimately hinge on questions about the rightness, purpose and costs of policy—not television images.

AND ALL THE REST...

MEDIA PERVASIVENESS must be put in the context of other societal changes lest its contribution to the difficulties of making post-Cold War policy be overstated. Policymakers must adjust to these fundamental changes, but they cannot do so if they mistakenly blame those complicating effects on the power and practices of the media.

First, there is the much-discussed "inward turning" of the American people. Released from the "nuclear terror" factor, Americans feel free to concentrate on home and neighborhood. Their attention to external problems is hard to get and once obtained is hard to rally behind assertions of leadership. President Clinton, ruefully but not altogether seriously, has envied his predecessors' use of the Cold War as a battle cry. More seriously, the president has consciously downplayed his involvement in foreign policy to focus "like a laser beam"

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on the domestic platform that won him the election. Public opinion surveys indeed do confirm a marked lapse in public support for foreign initiatives, except for economic ones that promise jobs. Clinton has paid heed. Trade and economics are the primary subjects around which he has attempted to forge an explicit international strategy.

To attitudinal shifts and presidential disinterest must be added the effects of America's changed economic makeup. Making national foreign policy is complicated by the increasingly specialized stakes in the global economy of the country's regions. Further complexity comes from the pursuit by local and state governments of their parochial and often competing overseas interests. On this intricate economic map must be overlaid changes in the nation's demography. Immigration and birthrate patterns are creating a more pluralistic population. As groups enlarge and prosper, they exert more political pressure on U.S. foreign policy leaders to pay attention to their places of origin. Each issue-based constituency develops well-endowed interest groups to compete for government and media attention.

VOX POPULI

To PROPERLY weigh the potential of media pervasiveness for harmful versus constructive effects requires factoring in how the public responds to the media. Image-provoked bursts of public compassion or anger can induce government paralysis or overreaction. It need not be so. Television images usually have a short shelf life, and their emotional effects can be tempered by reason. But that requires political leadership that constructs supportable policy, explains it and knows when to stand fast behind it.

A common bias of informed elites is that the general public's disinterest in world affairs makes it vulnerable to sensationalized media. It is true that the public is inattentive to the fluxes and flows of international affairs when there is no direct security threat. But a sometimes overlooked aspect of media pervasiveness is its ability to quickly inform an audience swollen large in times of crisis. At such moments the massive flow of information will contain the sound and the unsound, the responsible and the irresponsible. In an information-

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rich society, the public develops intuitive skills for parsing information and its sources. Readers and viewers weigh some, but not all, of it seriously and will listen to leadership skilled in the art of persuasion.

It is an imperfect process and hard for policymakers to manage, particularly when technology is augmenting media capabilities. Citizens and leaders adjust by steps, sorting out and familiarizing themselves with the new. The process has occurred with every major change in communications capability such as photography in the Civil War, the telegraph, telephone, radio and most recently television. Media pervasiveness is disruptive. But, over time it can democratize information, thereby giving the public a greater voice in policy debates.

How much and how well are the media informing the public about international affairs? The trends are mixed. During the recent recessionary years, media executives acted on declining public interest to cut back foreign news. Newspapers trimmed space allocated for foreign news and closed or left overseas bureaus vacant. Of late, there are noticeable shifts. Some newspapers are expanding their foreign coverage. The Associated Press, although filing shorter stories for tighter news holes, now has 90 overseas bureaus, and CNN has 20. For both services, these represent the biggest such commitments in their histories. The three main television networks, which still command the largest audiences, also show signs of reconsideration. But it comes after an eight-year period in which the new corporate owners of all three networks drastically reduced the number of full-time overseas correspondents and camera crews. As never before, network news divisions rely on freelance video footage and commentary from foreign stringers, some of whom have dubious connections. When regular correspondents are used, too often they are "parachuted" into the latest strife to air knowing reports via satellite within hours.

> The unusual and the violent remain basic ingredients of news; discord is recorded, peacefulness is not.

While the means of covering international news are being revolutionized, journalistic practices hew to tradition. The unusual and the violent remain the staples of news. Discord draws attention, while peacefulness goes unrecorded. Issues and places engaging America's

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interests are covered the most. Newspapers, no longer able to be first with news, still report the "what" of events but the elite ones incorporate the "why" as well. Television showcases violence with inadequate attention to context, giving those who rely on the medium a limited, distorted and unremittingly threatening picture of the world.

SETTING THE AGENDA

IN THE AMERICAN system of governance, it is the president who sets foreign policy, with rare exceptions. For the most part, secretaries of State and Defense and security advisors counsel and implement. The news media may influence but mostly follows the politicians' agenda. To sell policy to Congress and the public, a president and his aides must employ the forum of their time. In the world of today and tomorrow that puts a premium on adjusting to media pervasiveness—with all its pitfalls and potential—thorough preparation, considered statements in place of off-the-cuff remarks (a Clinton propensity) and communications training are essential tools of office.

Even then, mistakes or contradictory signals will be aired and immediately assessed by allies and adversaries, all of whom have instant access to globe-straddling media. But public miscues generate a recognition of necessary corrections more quickly than the private errors of traditional diplomacy. Openness might occasionally let secrets out; it will as often make mistakes plain. While buffering sensitive negotiations is more difficult than in J.F.K.'s time, it is still possible.

The problem today is that the management of crises and the attempts at agenda-setting appear confused, uncertain and too reliant on overnight polling results. Remedy can come only from the top, from presidential leadership that clarifies and convinces. Then the odds will improve that the constructive potential of media pervasiveness will outweigh its harmful effects.

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Reviews

THE BETTMANN ARCHIVE

The diplomats—Leahy, Bevin, Byrnes and Molotov—behind Attlee, Truman and Stalin, their political masters

"Ever since the 1940s, the political masters have been in the saddle."

The Measure of Diplomacy *Arthur Schlesinger, Jr.* 146

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Review Essay

The Measure of Diplomacy

What Makes a Strategy Grand?

Arthur Schlesinger, Jr.

The Diplomats: 1939-1979. EDITED BY GORDON A. CRAIG AND FRANCIS L. LOEWENHEIM. Princeton: Princeton University Press, 1994, 704 pp. $35.00.

More than 40 years ago, Gordon Craig and Felix Gilbert edited a volume called *The Diplomats: 1919-1939.* In that still-valuable work, a group of historians and political scientists assessed the role diplomacy had played in the years between the two world wars. Those were years of gross diplomatic failure—years in which the great powers, having destroyed one international system in the First World War, failed to create a new one in time to avert the Second World War.

In this sequel, appropriately dedicated to the memory of Felix Gilbert, Craig and Francis Loewenheim assemble a (mostly) new team to assess the role of diplomacy in the 40 years after 1939. *Diplomats* II opens with a rapid glance at wartime diplomacy, less than one-twentieth of the book, and then devotes nearly 700 pages to the first 25 years of the Cold War. The latter were years of relative diplomatic success—years in which the great powers, despite bitter ideological differences, avoided a third world war and in which the democratic nations laid the foundation for their eventual victory.

The two volumes differ somewhat in coverage and approach. *Diplomats* I concentrated on Europe and the United States. Japan received only 1 of 21 chapters; China, India, the Middle East, Latin America, Canada, Australia and Africa, none at all. *Diplomats* II gives 6 of 23 chapters to Asia and the Middle East, though Latin America, Africa, Canada and Australia are still ignored.

Diplomats I was less interested in the political leaders who made foreign policy than in the diplomats who executed it—envoys in the field and officials in the

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chancelleries. The book contained chapters on Schulenberg and Dirksen rather than Hitler; on Rumbold, Henderson and Perth rather than Baldwin and Chamberlain; on Chicherin and Litvinov rather than Stalin; on Dodd, Bullitt and Kennedy rather than Roosevelt—not that these diplomats, especially the Americans and the Russians, were professionals in the traditional sense.

Diplomats II pays somewhat more attention to political leaders and less to the professionals who served them. This shift registers the decline of diplomacy as an autonomous profession. In the seventeenth and eighteenth centuries the management of international relations was largely confided to ambassadors operating according to *raisons d'état* and skilled in manipulating balances of power. Diplomacy was self-contained. Public opinion was irrelevant: theirs not to reason why, theirs but to do or die. The diplomatic history of those years, as historian George Malcolm Young has said, was "little more than the record of what one clerk said to another clerk." The Congress of Vienna, so much admired by Henry Kissinger in his absorbing new book, *Diplomacy,* was the last hurrah of classical diplomacy.

THE RISE OF THE MASSES

The rise of democracy in the nineteenth century altered public attitudes toward foreign policy. Ordinary people now felt entitled to a larger share in decisions that might send them out to die. British statesmen like Canning and Palmerston sought to arouse public opinion in support of foreign adventures. The word "jingoism," dating from the late 1870s, expressed the invasion of international relations by the people. The Boer War and Spanish-American War in the 1890s saw unprecedented popular interest in what had so long been the secluded and protected domain of professional diplomats. "Diplomatic issues," as Stanley Hoffmann has said, "moved from the calculations of the few to the passions of the many."

Public opinion tended to moralize and emotionalize foreign policy, seeing foreign affairs in terms, not of *raisons d'état,* but of right and wrong. The climax of this democratization of foreign policy came with the First World War, the Wilsonian revulsion against secret covenants secretly arrived at and the rise of what was known for a season as the new diplomacy.

The movement toward democratic control of foreign policy greatly diminished the autonomy of the professional diplomat and the power of the diplomatic establishment. So too did changes in the technologies of communication. In the seventeenth and eighteenth centuries ambassadors were pretty much on their own. In the nineteenth century the steamship, telegraph and telephone began to put diplomats on a leash. In the present day the jet aircraft, television and computer have made communication almost instantaneous. Cordell Hull had never traveled on an airplane until he went to Moscow in 1943. In recent times American secretaries of state are rarely to be found on the ground. Itinerant foreign ministers tend to turn ambassadors into supernumeraries.

The professional tradition itself fell under a cloud. That tradition was one of negotiation—of the reconciliation of divergent interests within a community

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of shared values. The rise of messianic totalitarian states in the 1920s and 1930s meant a clash between fundamentally different values and put negotiation—and negotiators—into disrepute. In *Diplomats* II, Stanley Hoffmann observes of former French President Charles de Gaulle that diplomacy was not his preferred mode of action. "One doesn't negotiate in order to come to a conclusion," De Gaulle said, "but in order to win." As Abba Eban, former Israeli foreign minister and one of the last masterful practitioners of the old diplomacy, reflected, "It would be internationally harmful if professional diplomats were to lose their sense of vocation through being constantly outflanked by their political masters." Eban's own fate exemplified the marginalization of the professional.

By the 1940s and ever since, the political masters have inevitably been in the saddle. The absence of shared respect for the rules of the game reduced the scope of technical diplomacy and gave new scope to political leadership, both creative and destructive. This development is only intermittently recognized in *Diplomats* II, which contains chapters on Molotov rather than Stalin, Bevin rather than Attlee, Acheson rather than Truman, Dulles rather than Eisenhower, Gromyko rather than Khrushchev, Rusk rather than Kennedy and Johnson, Kissinger rather than Nixon. Yet in most of these cases the political principal and not the diplomatic agent made the key decisions.

WHAT CONSTITUTES SUCCESS?

Like all collections of papers by various hands, this is an uneven book. There are some splendid set pieces—Hoffmann on de Gaulle, Craig on Adenauer, Walt W. Rostow on Jean Monnet, Geoffrey Warner on Bevin, John Lewis Gaddis on Kissinger, Akira Iriye on Yoshida, Steven M. Miner, benefiting from nuggets in Soviet archives, on Molotov, Maiskii and Dobrynin.

But the book lacks a coherent analytical framework. One wishes for more systematic answers to two questions: What are the criteria for successful diplomacy, and what were the occasions in the years 1939-79 when successful diplomacy could have made a difference?

Gaddis, in one of the book's surprisingly few ruminations on the subject, remarks that no consensus has developed "on what constitutes 'success' in statecraft in the first place. Do we mean by it attaining one's stated objectives, or resisting those of others? How much time is to be allowed to reach these goals? What balance should one expect between the guidance that principle provides and the expediency that effective action usually demands?"

Perhaps success and failure must be defined against opportunities to change the direction of events. The years covered in *Diplomats* II were filled with choices that have generated argument ever since. Could diplomacy, for example, have cut short the Second World War? The affirmative view was advocated at the time by R. A. Butler of the British Foreign Office and perhaps by Lord Halifax, explored by Franklin Roosevelt in the Sumner Welles mission of 1940, and has recently been resurrected by a new generation of British historians who, like Alan Clark and John Charmley, argue that Britain should have made a negotiated peace in

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1940 or 1941. It is an interesting problem in diplomacy, but it is not a question addressed in *Diplomats* II.

Could diplomacy have averted Soviet expansion into Eastern Europe by insisting on Soviet concessions and territorial agreements as the price of Western assistance? Both Sumner Welles and William C. Bullitt, otherwise mortal enemies, took this position at the time. So have subsequent historians like Adam Ulam and Daniel Yergin. But the pros and cons of this diplomatic conundrum do not receive considered discussion in this new work.

And what about Yalta, a familiar test case for diplomacy? The pre-Yalta exchange of letters between those two brilliant professionals, George F. Kennan and Charles E. Bohlen, sets forth in trenchant terms the choices Roosevelt and Churchill faced in dealing with Stalin. Did the conference itself, as the French and the Poles claim, produce an indefensible partition of Europe, or did the position of the Red Army at the end of the war produce that partition? Did the Yalta agreements, as Averell Harriman believed and Molotov feared, set up standards that Stalin had to violate in order to achieve his purposes in Eastern Europe? But in *Diplomats* II the Kennan-Bohlen argument is overlooked, and the Yalta conference is scanted.

In the essay on wartime diplomacy Craig takes the old line that Franklin Roosevelt had a "general aversion to planning ahead," believed that "political decisions should wait upon military victory," and systematically subordinated political to military objectives. It is true that F.D.R., fearing the resurgence of isolationism and remembering the trouble Wilson got into a quarter-century before over Allied secret treaties, wanted to stay out of European boundary disputes. But he had remarkably comprehensive plans to assure American involvement and predominance in the postwar world.

By the end of 1944 a series of international conferences, held mostly at American initiative and dominated by American agendas, had laid down postwar blueprints for international organization (Dumbarton Oaks), world finance, trade and development (Bretton Woods), food and agriculture (Hot Springs), relief and rehabilitation (Washington), and civil aviation (Chicago). This framework for the postwar world was hardly the work of a president averse to long-term planning. And as Warren F. Kimball has effectively shown, Roosevelt's occasional interventions in military decisions were almost invariably for international political rather than military reasons.[1]

Kennan and Bohlen, as rara avis professional diplomats who retained a certain influence in the age of the decline of diplomacy, deserve more adequate treatment. They lost their battle to make containment a political rather than a military policy, but the battle is worth recording, and their opposition to that overwrought and disastrously influential document, NSC-68, sprang from a desire to leave room for diplomatic maneuver. But readers find nothing here about their rearguard stand for diplomacy.

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[1] "Franklin Roosevelt: 'Dr. Win-the-War,'" in *Commanders in Chief: Presidential Leadership in Modern Wars*, ed. Joseph G. Dawson, Kansas: University Press of Kansas, 1993, pp. 87-105.

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Was there an opening for diplomacy when communists took over China? Acheson may have thought so, and it is a question that deserves more attention than it receives. Was Churchill right in arguing for new diplomatic efforts in response to the Soviet peace note on Germany of March 1952 and again after Stalin's death the next year, or were Acheson and Dulles right in rebuffing both Churchill and the Soviet proposals? Not much enlightenment here.

The Cuban missile crisis, the moment of supreme danger in the Cold War, gets only a couple of pages without any account of the resort by John and Robert Kennedy to secret diplomacy in order to resolve the crisis. The test-ban treaty of 1963, one of the first breaks in the Cold War, rates a single paragraph without mention of the vital roles of Harold Macmillan, John Kennedy and Averell Harriman in bringing it about against the opposition of their own military establishments.

Nor is there much account of the diplomacy, or lack of it, in the Vietnam War, nor of the way that Dulles' purge of the old China hands in the State Department deprived Kennedy and Johnson of the expert diplomatic counsel that old Russia hands like Bohlen, Kennan and Llewellyn Thompson provided in the case of the Soviet Union. If men like John Paton Davies, Jr., and John Carter Vincent had been on tap in the 1960s they would have informed their political masters of the ancient enmity between China and Vietnam, and the U.S. government would not have succumbed to the illusion that North Vietnam was the spearhead of a concerted Chinese plan to take over Southeast Asia.

Too much of *Diplomats* II is potted diplomatic history of a routine sort. Too little is an analysis of what diplomacy achieved, what opportunities it missed and what difference it might have made. In this respect, it compares unfavorably both to *Diplomats* I and Kissinger's survey of the same years in *Diplomacy.*

THE FUTURE OF DIPLOMACY

In an afterword, the editors give Western leaders deserved credit for the containment policy, the Marshall Plan, NATO and the European Community. That the superpowers did not go to war, they add, "is surely a tribute to the expedients of diplomacy and to those who wielded them." One wonders whether it is not more of a tribute to the atomic bomb, which simultaneously emboldened the Western democracies to oppose the spread of Stalinism and demanded restraint in the mode of opposition. Few things are more chastening than doomsday briefings. Historians looking back may be struck most by the gap on both sides between the violence of their talk and the circumspection of their action. It is the atomic bomb, as political scientist Elspeth D. Rostow once remarked, that should have been awarded the Nobel Peace Prize.

What is the future of diplomacy? Diplomacy is effective when the rules of the game have general agreement. But the ideological wars of the twentieth century shattered the context of shared values. The disappearance of communism now creates new opportunities for diplomacy, at least until a possible revival of fascism—a doctrine so remote in pop-

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ular memory that its evils are no longer vivid—renews ideological warfare.

In the meantime, the warfare of ideology has been replaced by warfare of ethnicity and religion, and these conflicts too move toward disagreement over basic values. Paul Gordon Lauren has an interesting chapter on the diplomacy of the United Nations, and Kissinger argues that the Wilsonian vision has triumphed, that "Wilson's principles have remained the bedrock of American foreign policy thinking."

But the realization of a world of law based on collective prevention and punishment of aggression depends on enforcement, and enforcement at the end of the day means military action. The tragedy of Bosnia shows that, while people may be willing to kill and die when the life of their own nation is at stake, very few are willing to do so in the interests of an abstract peace system and a new world order. Try to explain to a housewife in Xenia, Ohio—or in York, England, or Lyons, France, or anywhere else—why her father, husband, brother or son should die in Bosnia. Nationalism remains the most potent political emotion in the contemporary world.

The United Nations in any case is overly bureaucratized and incapable of discharging the tasks that fatigued and preoccupied nations are presently dumping on it. Perhaps in the long run regional associations must assume at least the initial responsibility of keeping the peace in their own neighborhoods, but given their present state of feebleness, that is likely to be a very long run indeed.

A world of law will require a transformation of world opinion. That is a job for political and religious leaders, not professional diplomats. But politicians and diplomats can still collaborate fruitfully in the construction of a new international system.

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'Schindler's List' and the Polish Question

Andrew Nagorski

Discussions of the Holocaust often turn on two dominant issues. The first is grasping the nearly incomprehensible horrors of Nazi Germany's mass extermination campaign against Jews. The second, overshadowed by the monumental nature of the first, concerns the Holocaust's Polish setting and raises divisive questions about the history of relations between Polish Jews and Catholics not only during but also before and after the Second World War. Western popular culture, most recently Steven Spielberg's powerful film "Schindler's List," has tended to emphasize the first issue—the nature of the Nazi atrocities—while leaving the Polish setting as a fuzzy and often misunderstood backdrop.

Yet today such depictions are curiously outdated. Over the last few years, Polish Catholics and Jews have made remarkable progress in an emotionally charged debate that has moved well beyond past recriminations, bringing that backdrop into far sharper focus. For sure, this dialogue continues to generate acrimony, both between and within the two groups, and agreement remains elusive on how to present their common history in schools and to the general public. But increasing numbers of Polish Catholics and Jews, both inside and outside the country, are moving beyond the angry recriminations that had once all but obliterated previous attempts at understanding.

AN ATMOSPHERE OF RECRIMINATIONS

The debate since the Second World War over Poland's history can be reduced to two (simplified) opposing views. Polish Catholics often emphasized Poland's long record as a land of refuge for Jews, beginning with the great migrations of Jews fleeing persecution in other parts of Europe in the thirteenth and fourteenth centuries, and as a land of tolerance,

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where Jews were sometimes granted special privileges by Polish monarchs and nobles. Jews, on the other hand, often emphasized the steady growth of anti-Semitism in Polish society, especially when Poland reemerged as an independent state between the two world wars.

Poland's wartime experience compounded these angry disagreements. Polish Catholics stressed their own suffering at the hands of the German occupiers, arguing that, under the circumstances, they did what they could to help the Jews. They pointed to those Catholics who risked their lives to save Jews, such as Sister Matylda Getter, the nun who transformed a network of Catholic orphanages into sanctuaries for Jewish children. They also noted the efforts of the Polish underground to convince disbelieving British and American leaders, including prominent Jews, that the wholesale extermination of Polish Jews was under way and that drastic measures were needed to save them. Largely denying the existence of postwar anti-Semitism, they blamed manifestations of such attitudes on the prominent role of Jews in the secret police and other organs of the Polish puppet regime imposed by Stalin.

Jews, on the other hand, stressed the actions of Polish *szmalcownicy*, those who denounced or blackmailed Jews, and took special note of the hostility or indifference of many Polish Catholics. They also bitterly invoked the distressing evidence that anti-Semitism had survived in Poland even after the destruction of most of Polish Jewry: the Kielce pogrom of 1946, when a Polish mob killed 42 Jews, and the infamous 1968 "anti-Zionist" campaign launched by hard-liners within the Polish Communist Party as an excuse for new purges, which led to the coerced emigration of many remaining Polish Jews.

In this atmosphere of accusations, the Polish Communist authorities displayed the same blatant disregard for truth as they did on other issues, stirring xenophobic feelings in the hope of gaining the popular support that had always eluded them. The most egregious examples were the exhibits at Auschwitz, which only mentioned Jews as one of many groups victimized there. It is little wonder that many Jews resented what they saw as Polish efforts to "Polonize" the Holocaust, blurring the difference between the Nazi treatment of Poles and Jews and even their identities in death. Many Poles, in turn, resented what they saw as Jewish efforts to present themselves as the sole victims, refusing to acknowledge the suffering or help of others and portraying Poles as unrelenting anti-Semites.

BROADENING THE DIALOGUE

Beginning in 1987, a more open national discussion gained momentum in Poland. The new dialogue was prompted by a now-famous article by Professor Jan Blonski that appeared in the Krakow Catholic weekly, *Tygodnik Powszechny*. Blonski called for a "moral revolution" in dealing with the Polish-Jewish past—to "cleanse our desecrated soil"—and he urged Poles to admit the virulence of their anti-Semitism in this century and accept guilt "for insufficient effort to resist" the Nazis' wartime atrocities against Jews.

The article provoked an outpouring of heated responses both praising and attacking Blonski. But the author achieved his

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goal of initiating a catharsis, which has since caused Polish Catholics and Jews to reexamine their past together. Blonski's article thus encouraged an increasingly expanded dialogue, one that has already gone a long way toward clearing a once poisoned atmosphere. For all their lingering suspicions, many Jews and Catholics have discovered that their views are not as mutually contradictory as they had once maintained, but rather can be used to complement each other in providing a fuller picture of a highly complex history.

The two interpretations of earlier Polish history, for example, were not necessarily at odds. For centuries, Poland was a haven for Jews, which was why its Jewish population was the largest in the world. But anti-Semitism was always present, and it grew, especially in modern times. From the late eighteenth century, when Poland was partitioned by Russia, Prussia and Austria, Polish nationalism grew narrower as Poles struggled to preserve the concept of a nation that had been declared extinct. Catholicism was a key ingredient of Polish identity, and Polish Catholicism tended to view Jews as, at the very least, suspect in their loyalties. During the brief period of independence between the two world wars, Marshal Józef Piłsudski envisaged a multinational state and rejected chauvinist doctrines. But after his death in 1935, right-wing parties gained increasing influence and openly promoted anti-Semitic policies such as separate benches for Jewish students at some universities.

Poles have begun looking at the Nazi occupation through a growing body of articles and literature that delve into the darker aspects of a period they have traditionally associated with heroic resistance, and their understanding of Poland's wartime experience has consequently gained greater balance. Many Poles can more easily acknowledge that, although the underground Home Army issued orders to execute the *szmalcownicy* and others who betrayed, blackmailed or, in some cases, even murdered Jews, many went unpunished. At the same time, however, wartime Poland did not offer the Nazis an organized collaboration, as did puppet regimes in France and Slovakia, and many Poles performed acts of heroism on behalf of Jews.

Increasingly, Jewish organizations have paid tribute to such heroism. At Yad Vashem, Jerusalem's Holocaust memorial, 4,260 Poles have received t he designation "righteous among the nations," the largest group to be honored in this fashion, and officials there point out that this number only accounts for documented cases. In July 1993, the Anti-Defamation League held the first conference in Warsaw honoring those Poles who rescued Jews during the Holocaust.

The new spirit of dialogue has gone a long way toward eliminating the demeaning practice on both sides of treating wartime suffering as a zero-sum game in which the admission of one group's suffering diminished the scope of another's. The memorial at Auschwitz again serves as a lesson, but this time in a positive sense. A new international council composed of both Christians and Jews has helped change the museum's signs, lectures and films to explain that 90 percent of the victims there were Jewish, even if the original camp was largely populated by Polish political prisoners,

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about 75,000 of whom died there.

The Auschwitz example of honoring both Jewish and Catholic victims of the Nazis, while making clear the relative dimensions of each group's tragedy, is far from unique. In the debate following the appearance of Blonski's article, Polish writers and historians stressed that the deaths of three million Polish Jews and three million Polish Catholics have to be kept in perspective. Polish Jews died as a result of a systematic mass extermination campaign, which largely succeeded; Polish Catholics were marked for enslavement, which resulted in mass fatalities as they perished in the war, concentration camps, summary executions and concerted efforts to wipe out entire villages as well as the Polish intelligentsia. Poles also died at the hands of the Soviet occupiers of eastern Poland from 1939 to 1941. But, unlike the Jews, as a nation Poles were not marked for total annihilation.

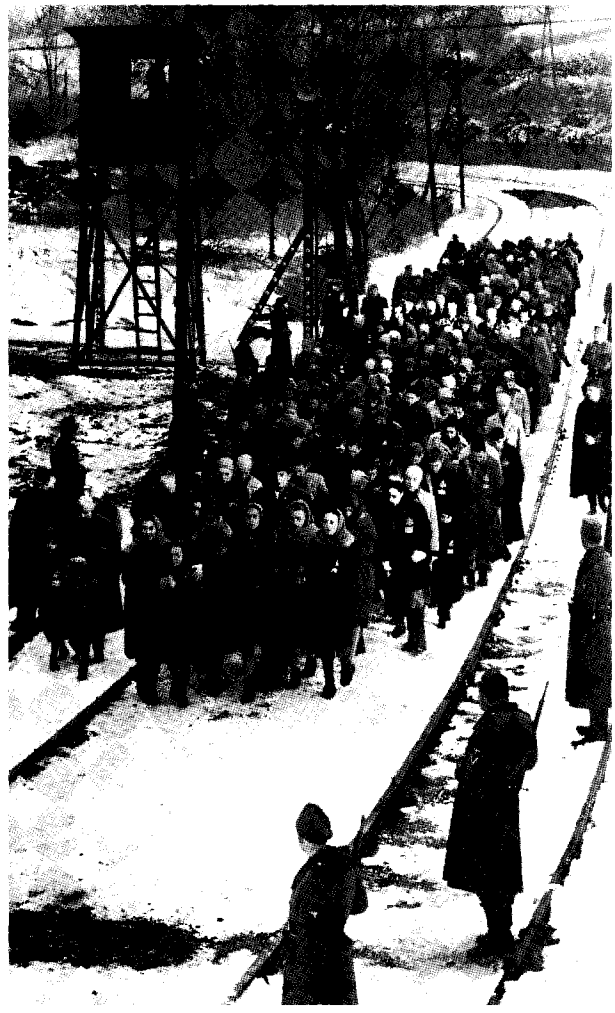

PHOTO COURTESY OF UNIVERSAL PICTURES AND AMBLIN ENTERTAINMENT

'Schindler's List': Horror without context?

Similarly, there have been encouraging signs that many American Jews, who had traditionally been far more reticent than European Jews in recognizing the wartime losses of other groups, are open to a broader historical perspective. "There is no conflict between describing the uniqueness of the Jewish experience during the Holocaust and the inclusion of other victims of Nazism," explained Michael Berenbaum, a Georgetown theology professor. He argues that it is only in the context of the still horrible but less draconian fate of other victims—not only Polish Catholics but also Gypsies, gays and political prisoners of many nationalities—that the extent of the Jewish tragedy can be properly contrasted and understood.

Berenbaum is the director of the research institute at the Holocaust Museum, a new Washington memorial that has been nearly universally praised as a model of

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fairness and balance. The museum has taken great care not to present the Holocaust in a vacuum but rather in a historical context that takes account of the war in Poland and the rest of Europe as well as the persecution of non-Jews. The history of anti-Semitism throughout Europe, including in Poland, is carefully shown, but those who rescued Jews are also prominently honored.

None of this is meant to suggest that a new, amicable consensus exists on how to deal with Polish-Jewish issues. Many Poles still find it difficult to deal openly with the evidence of crimes and collaboration against Jews both during the war and in other periods. The process of honestly confronting past and present attitudes, not only of individuals but of the Catholic Church, remains painful and divisive. But the array of new books on Judaism and Poland's Jewish heritage, Polish-Israeli exchanges and joint efforts such as a commission recommending changes in each country's school textbooks, and the popularity of courses run by Warsaw's Jewish Historical Institute for schoolteachers around the country—all these developments attest to substantial progress.

THE HOLOCAUST IN CONTEXT

In time, this new spirit and understanding may seep into the broader public consciousness, allowing what began as an intellectual debate between directly interested parties to reach a larger audience. Unfortunately, Poland's increasingly open and nuanced dialogue seems to have outpaced discussions in the wider media, especially abroad. Many efforts to present Holocaust stories in popular form continue to fall short of the level of complexity required to understand the depth of the tragedy for all its victims.

Take "Schindler's List," which Spielberg himself has described as "a document, not an entertainment." For the most part, the film tells its story in isolation, as if nothing else was happening at the time. Poland, even Kraków outside the ghetto, barely exists. Uninformed viewers, which include many young Americans, may emerge from the film with no idea that the war was aimed at more than the destruction of the Jews or that there were other victims of Nazi atrocities.

Moreover, the movie's few fleeting images of Polish Catholics—such as the chilling scene of a young girl screaming with hatred, "Good-bye Jews!" as victims were herded into the ghetto—seem to suggest that the only role Poles played was to applaud Nazi terror. Despite Spielberg's simplified depiction, Thomas Keneally's book, on which the movie is based, describes the important role of a Polish Catholic who risked his life by acting as a liaison between Jews inside and outside the ghetto.

Spielberg maintains that he was only presenting "a Holocaust story," not "the Holocaust story," and that he was therefore not obliged to provide broader context or balance. Interestingly, many Polish viewers seem to agree, treating the movie as one about Germans and Jews, not Jews and Poles. Their willingness to see the movie on its own terms, with much less defensiveness than in the past, is another indication of how far their process of self-evaluation has proceeded. But many Poles may be able to fill in the context of the movie for themselves, which is not necessarily true of other viewers,

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particularly those in the United States.

Despite Spielberg's earnest appeals that the movie be seen as part of a broader study of the Holocaust, most viewers will indeed see it in isolation, and they may erroneously generalize from it. The movie's narrow construction therefore constitutes its primary weakness as an educational tool. Spielberg certainly could not have been expected to provide a history of the war or Polish-Jewish relations. But in a movie that lasted more than three hours some brief references to the broader conflict in Poland would only have enhanced the story's appeal.

Wherever possible, popular media and scholarship should seek to portray the Holocaust in its fullest, and therefore most accurate, setting. The considerable advances that have been made in the discussions between Polish Catholics and Jews offer a new, more ample palette with which to fill in the simpler portraits of an acrimonious past. Moreover, the fuller the treatment of the Holocaust, the more intriguing the questions that will be raised. Why, for example, did some people respond with selfless heroism during the Holocaust while others turned away or even denounced Jews? How much of the response depended on the expected punishment?

In occupied Western Europe and even within Germany itself, people who hid Jews faced possible arrest; only in Poland did those people—and even their entire families—who sheltered Jews face death. Such executions were immediate and public, aimed at instilling terror in anyone contemplating similar humane acts. A parent who was courageous enough to hide a Jew knew that such heroism meant endangering the lives of his or her spouse and children.

Detailing and understanding such macabre circumstances helps raise moral issues that reach far beyond the immediate debate over how to judge the wartime behavior of Polish Catholics. A more complete depiction of the Holocaust's setting will only help us confront the grave issues of conscience and nationalism that, unfortunately, continue to haunt us even today.

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Recent Books on International Relations

Political and Legal

FRANCIS FUKUYAMA

Global Engagement: Cooperation and Security in the 21st Century. EDITED BY JANNE E. NOLAN. Washington: The Brookings Institution, 1994, 623 pp. $39.95 (paper, $19.95).

This massive tome seeks both to define the nature of security as it has changed in the post-Cold War period, and to outline the new regimes and institutions appropriate to it. "Cooperative security" is defined as a form of multilateralism that seeks to deal with new problems like ethnic conflict, state breakdown and proliferation. Several of the study's authors, including Defense Secretary William J. Perry, now work in the Clinton administration. Perry argues that forces should be sized for territorial defense alone; beyond that, there would be an international division of labor that would, in effect, sharply constrain the ability of the United States to intervene on its own. Whether this would be adequate to deal with powerful regional threats (like Iraq or Iran) in a timely manner is open to question. The book is animated by a clear preference for multilateralism over the unilateral use of American power. But while America cannot and should not seek to solve all international problems by itself, an important question remains whether a certain degree of unilateralism (a.k.a. "leadership") is not necessary to make the multilateral institutions work properly—as indicated by the floundering performance of the United Nations and NATO in Bosnia in recent months.

Enforcing Restraint: Collective Intervention in Internal Conflicts. EDITED BY LORI FISLER DAMROSCH. New York: Council on Foreign Relations Press, 1993, 403 pp. $17.95 (paper).

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Multilateralism was strongly promoted during the Cold War by those who felt the unilateral use of American power was both illegitimate and dangerous. Now that the United States is in an isolationist phase and earlier obstacles to multilateral cooperation have been lifted, it suddenly finds it has the opposite problem: it wants to intervene everywhere with high moral purpose but has been bequeathed an instrument vastly too weak to achieve its ends. *Enforcing Restraint* thoughtfully reviews recent collective interventions in the former Yugoslavia, Iraq, Liberia, Haiti, Somalia and Cambodia, only the last of which could in any way be described as a success. The authors ponder questions such as the conditions under which collective intervention is legitimate and how existing mechanisms might be made more effective. As in the Brookings book above, one wonders whether purely multilateral intervention, without a strong component of American leadership, can ever be effective in the difficult cases where it really matters. Were multilateralism to become an excuse for inaction on the part of national governments, it may do more harm than good.

The Two Faces of National Interest. BY W. DAVID CLINTON. Baton Rouge: Louisiana State University, 1994, 278 pp. $35.00 (paper, $15.95).

The author presents a well-informed and balanced discussion of the concept of national interest as it is used in international politics, particularly in American foreign policy. Noting the variety, ambiguity and changeability of meanings intended by those using the term, the author develops his own concept of national interest, which he hopes will avoid the pitfalls of excessive narrowness or broadness. His guidelines for foreign policy, based on case studies of the Nixon Doctrine and the Carter human rights policy, are suitability nuanced and balanced. In the end, however, it is not clear what the author has achieved by defining national interest in so subtle a fashion. The narrower versions of the concept at least have the value of defining a clear-cut minimalist policy. This book is useful, however, for its informative discussion of a term that is thrown around much too loosely.

Liberal Leadership: Great Powers and Their Challengers in Peace and War. BY MARK R. BRAWLEY. Ithaca: Cornell University Press, 1993, 210 pp. $32.50.

The central focus of this book, as of many others coming out of the academic subdiscipline of international political economy, is to explain the role of "liberal hegemony" in the international system. It argues that liberal international economic systems do not just happen; they are created when an open trading system is seen as being in the interests of dominant players, who then use its often noneconomic power to enforce the rules of the game. The attitudes of other players toward this system—whether of support, challenge or "free-riding"—are seen as functions of economic factors like relative capital or labor abundance. This issue is of particular relevance now, as the United States has visibly retreated from a position of global leadership in the economic

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realm and no other country seems poised to take up the mantle. This book provides case studies of Dutch, English and American efforts to establish hegemonic liberal systems and provides a useful perspective on international competition that is often seen exclusively in security terms. As with other works in this vein, however, there is a tendency here to see war as simply a continuation of economic competition by other means and to reduce national motivation to variables like relative "factor endowment."

Religion: The Missing Dimension of Statecraft. EDITED BY DOUGLAS JOHNSTON AND CYNTHIA SAMPSON. New York: Oxford University Press, 1994, 337 pp. $35.00.

For many years, religion was not taken seriously by students of foreign relations, who often failed to recognize the religious dimensions of conflict. More recently, a steady stream of books has addressed the negative role of religion in global politics, almost all of them focusing on the ominous rise of fundamentalism—Islamic, Hindu, Buddhist and Christian—and the way it has promoted conflict around the world. This book brings a refreshing change. It consists of case studies from around the world, including Nicaragua, Nigeria, East Germany, the Philippines and South Africa, in which religious organizations have played a major role as mediators in ending conflict or facilitators of democratic change. (The book could also have included chapters on Poland and some Latin American countries, where the Catholic Church played a role in sponsoring the transition to democracy.) The editors' concluding comments try not to overstate the positive role of religion, but the book brings badly needed balance into the discussion of religion and international affairs.

Communism: The Vanished Specter. BY RICHARD PIPES. New York: Oxford University Press, 1994, 84 pp. $15.95.

These essays constitute two lectures delivered by the author to the Norwegian Nobel Institute last year. Pipes, the foremost American historian of the Russian revolution, considers the question of why communism collapsed so suddenly and unexpectedly and what larger lessons that might teach us about our own situation. In the first essay, which concentrates on the Bolshevik revolution, the author continues his dispute with revisionist historians who argue that the revolution was in some sense a reflection of deep popular forces. The revolution was rather, according to Pipes, highly artificial and contingent in its outcome, which partly explains why the communist experiment fell apart so quickly when the leadership fumbled in the 1980s. He also continues a dispute with Aleksandr Solzhenitsyn, in which he argues that the revolution had deep roots in traditional Russian culture. In the second essay, the author goes on to suggest, in a way that will infuriate liberal critics, that some of the same rationalistic vices present in Bolshevism remain present in America's tax rates and efforts toward political correctness.

Women as National Leaders. EDITED BY MICHAEL A. GENOVESE. Newbury Park: Sage Publications, 1993, 241 pp. $46.00 (paper, $23.95).

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This interesting volume contains case studies of the careers of the handful of women who have emerged in recent years as national leaders: Corazon Aquino, Benazir Bhutto, Violeta Chamorro, Indira Gandhi, Golda Meir and, of course, Margaret Thatcher. It examines the proposition of some feminists that women, "as keepers of the values of social justice, nurturance and honesty," could rid their nations of conflicts, corruption and greed if they held leadership positions. Unfortunately, the case studies do not bear this out. The most effective women leaders (Gandhi, Meir and Thatcher) were those exhibiting decidedly "masculine" virtues, including a steely readiness to go to war when that was called for. By contrast, the most "feminine" leader, Cory Aquino (whom the book treats rather gently), was by far the weakest and most ineffectual. Whether this simply reflects old habits of the mind, as the book suggests, or the more enduring requirements of national leadership remains an open question.

Diplomacy, Force & Leadership: Essays in Honor of Alexander George. EDITED BY DAN CALDWELL AND TIMOTHY J. MCKEOWN. Boulder: Westview Press, 1993, 322 pp. $65.00.

Ideas and Ideals: Essays on Politics in Honor of Stanley Hoffmann. EDITED BY LINDA B. MILLER AND MICHAEL JOSEPH SMITH. Boulder: Westview Press, 1993, 436 pp. $65.00.

These festschriften were written for two of the most distinguished elder statesmen of the academic field of international relations, Alexander George and Stanley Hoffmann. Both scholars over the years have distinguished themselves by the extraordinary range of their interests and their humanistic approach to the study of politics, characteristics that are reflected in these books. The George volume spans topics from psychological factors in national leadership and interest-group politics to deterrence and the use of force, while the Hoffmann volume includes essays on ethics, French politics and American foreign policy. The latter also includes two interesting biographical essays by Hoffmann himself.

A Multipolar Peace? Great-Power Politics in the Twenty-First Century. BY CHARLES W. KEGLEY, JR., AND GREGORY RAYMOND. New York: St. Martin's Press, 1994, 278 pp. $39.95.

The authors try to understand what international relations would look like in a future world of multipolarity, that is, a relatively equal division of power among several large states (or power blocs like the European Community). Evaluating earlier historical periods of multipolarity, they consider whether such a world would be more or less stable, how alliances would work and what impact international norms would have. The book presents the different possibilities of order (or disorder) in a systematic and balanced way that would make it quite useful as a teaching tool in courses on international relations.

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Economic, Social and Environmental

RICHARD COOPER

Global Dreams: Imperial Corporations and the New World Order. BY RICHARD J. BARNET AND JOHN CAVANAUGH. New York: Simon & Schuster, 1994, 480 pp. $25.00.

Growing production, widening markets and urbanization have been disrupting traditional life for over two centuries. The authors of this interesting but frustrating book have discovered that the process is occurring on a global scale.

The basic theme of this book is the influence of a few hundred giant corporations in creating a global culture, global marketplace, global production and system of global finance—all accessible only to a minority of the world's population. A subtheme is that these processes are not only undermining traditional ways of life, but are also destroying good jobs and replacing them with poor jobs or none at all.

The authors are at their best when telling the story of the evolution toward globalism, as they do illustratively for several of the world's large corporations. They are at their worst when pontificating on job losses with little recognition of how modern economies create employment as production and incomes rise, even as particular jobs are being destroyed by new technologies and changes in demand. They also have the irritating practice, too common in journalism, of confusing levels of growth with rates of growth or with market shares. They note that world poverty has increased. They fail to note that world affluence has also increased, and that the share of the world's population in poverty has surely declined over the last decade, not least because of the remarkable economic growth in China and India.

Boom, Crisis, and Adjustment: The Macroeconomic Experience of Developing Countries. BY I.M.D. LITTLE, RICHARD N. COOPER, W. MAX CORDEN AND SARATH RAJAPATIRANA. New York: Oxford University Press/Washington: The World Bank, 1993, 455 pp. $42.95.

This book discusses the economic behavior and performance of 18 developing countries during the economically turbulent 1970s and 1980s, which included three sharp changes in oil prices, two major recessions, a debt crisis and sundry lesser disturbances.

My conflict of interest as a contributor inhibits an evaluation of the book, but I can report some of its principal findings. Most significant is the absence of any correlation between the size of the shocks that these countries experienced to their terms of trade and their subsequent economic performance during the 1980s, as measured mainly by economic growth and secondarily by inflation. Even more surprising, countries with windfall gains, such as Indonesia, Mexico and Nigeria, did no better than countries with large negative external shocks. Potentially beneficial events were squandered. The explanation seems to lie in the changes in two attributes: maintenance of budgetary discipline, even in the presence of windfall gains, and speed of response to adverse economic developments, including timely adjustment of exchange

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rates—early response leading ultimately to lower cost. There are possible lessons here for the future.

Responding to Global Warming: The Technology, Economics and Politics of Sustainable Energy. BY PETER READ. Atlantic Highlands: Zed Books, 1994, 304 pp. $25.00 (paper).

The author of this closely argued and somewhat technical but nonetheless readable book is a New Zealander trained both as an engineer and as an economist. He surveys thoroughly both the reasons global warming might be expected and the possible public responses to it, with critical commentary on the relevant framework for analysis. He concludes that we cannot be sure that global warming will occur, but that some possible outcomes are sufficiently severe that we should begin now to ward them off, learning in the process how to intensify the measures should that become desirable.

His major substantive contribution to this much-discussed subject is to emphasize that increasing absorption of greenhouse gases (especially carbon dioxide) is just as useful as reducing emissions in slowing the thickening of the earth's gaseous blanket. As he puts it, we could begin the process of making coal by growing vegetation, which captures carbon, and then burying it. His principal suggestion, however, is to use woody growth much more extensively as fuel, which in his calculations could be a substitute for coal in utilities and industrial uses at only modest increases in cost, and ultimately perhaps could be used economically to produce substitutes for oil. Growing trees for harvest as fuel would absorb carbon (while the total stock of trees was growing) and reduce net emissions as renewable fuel displaces nonrenewable sources. Planting fast-growing trees would help take land out of agricultural production and would initially employ many low-skill workers in planting and caring for the young trees—two objectives that both the United States and the European Union share at present.

The Cooperative Edge: The Internal Politics of International Cartels. BY DEBORA L. SPAR. Ithaca: Cornell University Press, 1994, 273 pp. $29.95.

This book discusses four industries—diamonds, uranium, gold, and silver—suitable for international cartelization and the degree of cooperation that each has achieved in recent years, varying from strong to nil in the order listed. A formal cartel existed in uranium, but failed after a few years; cooperation in the gold market has been less formal but more durable. The book reveals the extensive and close cooperation between staunchly anticommunist South Africa and trenchantly anti-apartheid Soviet Union in managing sales of diamonds and gold over at least two decades. (Those arrangements are now under threat with radical political changes in both countries.)

The book is replete with fascinating historical and current information, but weak in its analysis of the actual results of cooperation (or its absence). The focus of the study is on the conditions for successful cooperation, but surely those must

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depend at least in part on the objectives sought and the fervency with which they are pursued. The book puzzlingly fails to discuss U.S. antitrust enforcement as it might apply to the apparently effective diamond cartel, and the role of the cartel in stimulating demand for diamonds as new supplies were discovered. It also omits any substantive discussion of 16 other industries—ranging from beryllium to vanadium—that on the author's criteria are suitable for cartelization.

Military, Scientific and Technological

ELIOT A. COHEN

Iran's Strategic Intentions and Capabilities. EDITED BY PATRICK CLAWSON. Washington: National Defense University/Government Printing Office, 1994, 224 pp. $8.00 (paper).

Clawson, an economist with special expertise in Middle Eastern affairs, has assembled an exceptionally talented team of experts to review Iranian foreign policy (including its roots in Iranian domestic politics), Russian policy toward Iran, and Iran's military posture. The work of two young analysts—Michael Eisenstadt and Ahmed Hashim—on the latter subject is particularly praiseworthy. Eisenstadt offers a comprehensive and carefully drawn picture of the recent Iranian military buildup, pointing out that it differs in important ways from that of Iraq before the Gulf War and probably poses less of a threat to American interests. Hashim, currently at the Institute for Strategic Studies in London, does a masterful job of analyzing the Iranian military situation, using some interesting Persian-language sources to do so. Both essays set high standards for contemporary military analysis. One comes away with the view that the Iranians are attempting to create limited but useful capabilities to intimidate their neighbors and deter outsiders from intervening. Whether they will succeed is another matter.

Technologies Underlying Weapons of Mass Destruction. BY THE U.S. CONGRESS OFFICE OF TECHNOLOGY ASSESSMENT. Washington: Government Printing Office, 1993, 263 pp. $15.00 (paper).

The Office of Technology Assessment does some of the best writing on security-related technical issues in the United States, as evidenced by this excellent volume. The authors summarize the principal technologies of chemical, biological and nuclear weapons production. Purists will observe that chemical weapons are not really weapons of mass destruction, but in this context that is a quibble. The report examines the variety of pathways states may pursue to acquire these weapons. Even more important, it explains (in mercifully clear language) the variety of indicators that intelligence or inspection agencies may track to detect the production of such weapons. The discussion of the indicators or traces of proliferation efforts is good in itself, but the authors go further by discussing the ways in which proliferators can conceal evidence or mislead would-be snoopers. In short, an indispensable work.

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U.S. Army Field Manual 100-5: Fighting Future Wars. BY THE U.S. DEPARTMENT OF THE ARMY. McLean: Brassey's (US), 1994, 172 pp. $20.00 (paper).

This is a reprint of the U.S. Army's most important doctrinal manual. Of all the armed services, the Army cares most deeply about doctrine as an authoritative description of the fundamental principles guiding its actions. The 1982 and 1986 versions of the manual described the Army's belief in "AirLand Battle"—an orchestrated assault on a large, conventionally armed enemy using synchronized operations and an attack throughout its depths. The new manual includes a scant (eight-page) section on operations other than war, which discusses, among other subjects, peacekeeping, counterinsurgency and the many tasks that often absorb the Army's attention day-to-day. One can safely predict that the next version will contain far more on this subject. Indeed, one suspects that this will come to be seen as a transitional document, pending a major reconsideration of what the Army does and why it exists.

The Mesh and the Net: Speculations on Armed Conflict in a Time of Free Silicon. BY MARTIN C. LIBICKI. Washington: National Defense University/Government Printing Office, 1994, 127 pp. $5.00 (paper).

The Institute for National Strategic Studies at the National Defense University has quietly become a center for innovative strategic thinking, as this book suggests. Libicki describes a world in which information technology will allow the creation of small "smart" sensors netted with killing or disabling devices that will put the large platforms (aircraft and tanks, for example) of contemporary warfare at considerable risk. The study has its weak points, including a lack of footnotes and a disregard for the existing histories of warfare. His proposed courses of action—the creation of a corps of information warriors, among others—make less sense than the author thinks. It would have made as much sense to create a corps of combustion engine warriors early in the twentieth century. But this is an original and creative consideration of the future of warfare, and hence well worth a look.

And Weapons For All: How America's Multibillion-Dollar Arms Trade Warps Our Foreign Policy and Subverts Democracy at Home. BY WILLIAM D. HARTUNG. New York: HarperCollins, 1994, 341 pp. $23.00.

The fist-pounding tone of the title reflects the temper of this book. The author sees nothing good in American arms sales, dismissing the foreign policy and industrial base arguments offered by the other side as stupid, hypocritical or venal. This is a shrill work that might have had some value if the author could concede the possibility that those who disagree with him are other than fools or profiteers, or that governments ever make decisions for anything other than corrupt motives.

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Nuclear Weapons Databook, Vol. V: British, French and Chinese Nuclear Weapons. BY ROBERT S. NORRIS, ANDREW S. BURROWS AND RICHARD W. FIELDHOUSE. Boulder: Westview Press, 1994, 437 pp. $85.00 (paper, $34.95).

The sponsors of this volume may hold views antithetical to those who view weapons procurement as vital to foreign and industrial policy, but if so, such opinions are irrelevant to the quality of this fine work. The antinuclear National Resources Defense Council has done researchers (if not the governments concerned) a service in sponsoring this series. This latest entry is no light read, unless one has a particular fondness for system specifications, dates and code names of weapons tests, and lists of nuclear warhead deployments. But the tables are comprehensive to a fault, and the narrative concise and well documented. No doubt classified information would reveal omissions and errors, but this work, like the volumes that preceded it, stands as a testimony to the efficacy of patient and comprehensive culling of unclassified resources. An excellent reference work that combines a great deal of information with thoughtful analysis.

Clausewitz in English: The Reception of Clausewitz in Britain and America, 1815-1945. BY CHRISTOPHER BASSFORD. New York: Oxford University Press, 1994, 293 pp. $45.00.

Bassford produces here an able, scholarly examination of someone variously regarded as the most profound thinker on war and as the villainous creator of a theory that has led to immense and unnecessary human suffering. In the course of an illuminating discussion (which actually goes beyond 1945), Bassford says a great deal about Anglo-American strategic thought in the modern period. An admirer of Clausewitz but not an uncritical one, Bassford uses his subject to explore strategic theory in general. The result is an interesting study that has something to say to many audiences, including those concerned with the state of contemporary military thought or intellectual history.

The Proliferation Puzzle: Why Nuclear Weapons Spread (And What Results). EDITED BY ZACHARY S. DAVIS AND BENJAMIN FRANKEL. London: Frank Cass, 1993, 356 pp. $37.50 (paper).

An earnest and daunting collection of essays, most of which attempt to bring contemporary social science to bear on weapons proliferation. Those not temperamentally inclined to explore the nuances of "structural realism" and competing doctrines may lose patience with some of the essays. Even readers who believe in the utility of theory in a world whose structure now seems quite uncertain may shake their heads at two essays that resort to formal modeling to explain nuclear proliferation. Still, some of the essays are useful. Richard K. Betts, for example, is a model of sobriety and insight in a revision of his well-known essay on "Paranoids, Pygmies, Pariahs and Nonproliferation." But by and large, one suspects that empirical research, which is represented but not dominant here, has more to offer students of proliferation.

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The Icarus Syndrome: The Role of Air Power Theory in the Evolution and Fate of the U.S. Air Force. BY CARL H. BUILDER. New Brunswick: Transaction Publishers, 1994, 299 pp. $39.95.

There is a sense in this book—captured in the title—of underlying Air Force insecurity about its role and capabilities. This may come as a surprise to soldiers, sailors and marines who fear an Air Force monopoly of air warfare. (As historian Richard Kohn has observed, the Air Force subconsciously fears that it may be the product of a brief technological moment in which *manned* flight transformed warfare.) This book was born of a request from the Air Command and Staff College for an essay "that would remind incoming students of the obligations of the profession of arms, their heritage in history, and where those obligations might carry them with the future of the Air Force." The style is uneven: Builder has read widely but indulges in a lazy habit of extensive and unnecessary quotation of other writers, and relies overly on memoirs and a few secondary sources. The author might reply that he aimed not to take a purely academic look from the outside, but to make a contribution to an internal Air Force debate. That he has, but there is a danger here of confusing strategy with a kind of institutional psychotherapy.

War. EDITED BY LAWRENCE FREEDMAN. New York: Oxford University Press, 1994, 385 pp. $13.95 (paper).

The college reader is a familiar work, and one usually disdained by those who have escaped the clutches of Social Sciences 17, "Conflict, Society and Politics," and its ilk. When one picks up a volume such as this, which offers 97 authors (a bit fewer because of double-counting) at roughly four pages apiece, one fears the worst—not nuggets of wisdom but mere granules. Fortunately, however, Freedman, head of the War Studies program at King's College, University of London, has transcended the genre brilliantly. Not only has he shrewdly picked out some of the pithiest and most disturbing passages (Moltke, for example: "Eternal peace is a dream and not even a beautiful one, while war is an element of God's world order"), he has arrayed a marvelous variety of authors ranging from contemporary times to the Battle of Trafalgar, and ordered them with splendid effect. Professors preparing exams will surely mine this reader for quotes, set off by the dismaying injunction, "Discuss." But students and, one hopes, the general reader will find themselves doing the most desirable thing—chewing on these morsels and then, seized by curiousity, going to the original works (or the slender but well-chosen bibliography) for a full repast.

The United States

STEPHEN E. AMBROSE

Nixon: A Life. BY JONATHAN AITKEN. Washington: Regnery Publishing, 1994, 633 pp. $28.00.

No politician is ever embarrassed by an excess of flattery—but Richard Nixon should have been by this one. This biography, published almost concurrently

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with Nixon's death, is by a British author and practicing politician (a minister of state for defense) who admires Nixon without restraint and praises him without stint. Some samples: "Nixon's example of what determination and persistence can achieve will surely earn him a niche among the immortals"; "It was impossible not to be swept up and moved by the depth of his idealistic commitment"; "His life story bears comparison to a modern political version of *Pilgrim's Progress.*"

Aitken praises Nixon for every decision he ever made, but most of all for three triumphs in foreign policy: the opening to China, détente with the Soviet Union and ending the war in Vietnam. Fair enough, but that praise needs to be balanced by additional considerations. With regard to China, for 20 years Nixon was one of the leaders in keeping the door closed; with regard to détente, Nixon's version did not outlive his administration (Gerald Ford banned the use of the word in the White House); with regard to Vietnam, it is just silly of Aitken to write that thanks to Nixon, "Peace with honor had been achieved."

Aitken had privileged access to Nixon, who ordinarily refused to give interviews to historians, and therefore has some new material. For example, on a number of occasions in the past decade Nixon claimed that he opposed Eisenhower's 1956 policy of forcing the British and French to withdraw their troops from the Suez Canal region. In his public statements and in cabinet meetings at the time, however, Nixon supported Eisenhower. In this book, Nixon claims that Eisenhower came to regret what he did. Aitken has Nixon quoting Eisenhower as saying in 1963, "Why couldn't the British and French have done it more quickly?" Perhaps Eisenhower did say that to Nixon, but in my own interviews with Eisenhower in the mid-1960s, the former president said just the opposite. He was proud of what he had done with regard to Suez and insisted that he had been right to support Egypt.

Despite its shortcomings, this is a delightful read. Aitken is excellent on Nixon's personality and private life, and has many insights into his domestic policies.

Divided We Fall: Gambling with History in the Nineties. BY HAYNES JOHNSON. New York: W. W. Norton & Company, 1994, 431 pp. $25.00.

What stands out in this first assessment of the first year of the Clinton administration is how disinterested President Clinton is in foreign policy. Indeed, no president since Calvin Coolidge has spent so little time, thought or energy on foreign affairs. The index, under "Clinton, William Jefferson, foreign policy of," has three entries (pages 53, 315 and 390). There are no entries for the secretary of state or the Department of State.

Haynes Johnson is a widely respected reporter and author of the best-selling *Sleepwalking through History.* In this sequel, he interviews Americans from all walks of life. Evidently none of them cares much about America's role in the world. What they do worry about is the economy and related subjects, such as the decline of education. The people Johnson interviewed are unhappy about the present and deeply pessimistic, even fearful, about the future. They almost seem to yearn for the good old days of the Cold War, when America

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had full employment and a world mission.

Johnson had a long, exclusive interview with President Clinton, which he records at some length. It is full of generalization and idealism and rests on the assumption that America is in terrible trouble. There is not one word on foreign policy, not even NAFTA or other international economic issues.

Victory: The Reagan Administration's Secret Strategy that Hastened the Collapse of the Soviet Union. BY PETER SCHWEIZER. New York: The Atlantic Monthly Press, 1994, 300 pp. $22.00.

Peter Schweizer, author of a previous book on industrial espionage, assigns credit for victory in the Cold War to CIA Director William Casey, Secretary of Defense Caspar Weinberger and Reagan himself. In Schweizer's opinion these three rejected the view of every president from Truman to Carter (that sooner or later the Soviet Union would implode if it were contained) and acted on the assumption that the system was vulnerable to military, economic and covert pressure in its satellite nations and its heart.

The activist policy of the Reagan administration worked brilliantly, according to Schweizer, and helped cause the demise of the Soviet Union. Actually, there is a great deal more to the Soviet collapse than Schweizer recognizes, and in any case it is difficult to take seriously a book as badly written as this one. Schweizer puts words into peoples' mouths and thoughts into their minds; he makes up quotes (and attempts to get away with it by using personal pronouns and present tense but without quotation marks; it is really quite shocking that his editor let such usages stand). He has singular verbs with plural nouns, and vice versa. There are three clichés per page, sometimes per paragraph. The book is consistently redundant and badly out of balance. Not recommended, even for the staunchest Reagan supporter.

Polite Protesters: The American Peace Movement of the 1980s. BY JOHN LOFLAND. Syracuse: Syracuse University Press, 1994, 336 pp. $34.95.

Activist and sociology professor John Lofland reveals, at least according to the dust jacket, the differences between the antiwar Vietnam-era protesters and the "polite protesters" of the 1980s, who shunned direct confrontation to turn to the politics of interest groups and lobbyists. But the book is written in a sociologist's jargon that is incomprehensible to me, so I really can't tell what it is about.

The War Within: America's Battle over Vietnam. BY TOM WELLS. Berkeley: University of California Press, 1994, 706 pp. $30.00.

A history of the antiwar movement by a Berkeley-trained sociologist and activist, *The War Within* features painstaking research and an impressive breadth of coverage. Tom Wells' interviews range from David Dellinger and Daniel Ellsberg to Dean Rusk and William Westmoreland. The writing is excellent, the images are vivid, the quotations take us back to the intensity of emotion created by the war. Wells' conclusion is that the

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antiwar movement "played a major role in restricting, de-escalating and ending the war." My conclusion is that the movement delayed the end of the war. This will be argued about for a long time to come. Wells makes the best case yet for his point of view.

Western Europe

FRITZ STERN

The New Spain: From Isolation to Influence. BY KENNETH MAXWELL AND STEVEN SPIEGEL. New York: Council on Foreign Relations Press, 1994, 126 pp. $14.95 (paper).

A splendidly compact account of Spain's spectacular transition from Francoism to a modern democracy. The obstacles were great, but the transition was preceded and accompanied by Spain's transformation into a modern, dynamic society; the leadership of King Juan Carlos and, since 1982, of Felipe Gonzalez contributed stability. In the early years of the transition, and especially in the Reagan era, relations between the United States and democratic Spain were strained, but now Spain is a significant participant in international affairs, a member of NATO and the EU. The country has made important strides in providing decentralization for its several nationalities, but at present the political class has lost some prestige and the economy is in sharp recession, with particularly high unemployment. And still this study—viewing the last two decades in their entirety—explains why it is quite appropriate to speak of "model Spain."

American Policy and the Reconstruction of West Germany, 1945-1955. EDITED BY JEFFRY M. DIEFENDORF, AXEL FROHN AND HERMANN-JOSEF RUPIEPER. New York: Cambridge University Press/Washington: German Historical Institute, 1993, 537 pp. $69.95.

A collection of essays of varying quality by German and American scholars on the most diverse aspects of American occupation policy. One of the most interesting articles is on American policy toward reunification in that first postwar decade in which the German author asserts that most West Germans accepted the integration with the West even at the expense of early unification. Other articles deal with American efforts to ferret out German industrial secrets—an effort that the well-known author John Gimbel estimates may have been worth close to the $10 billion that in 1947 Molotov charged German "reparations" to the U.S. totalled. Of interest also are articles on the founding of the Free University of Berlin in 1948, the role of Americans, including Walter Gropius, who tried to influence the rebuilding of German cities, and the views and influence of the Council on Foreign Relations in 1945 to 1950. All of these are scholarly studies, and many bear out the editors' contention that "in most areas, the results of this scholarly activity demonstrate that American policy was more often complex and serpentine than linear and straightforward."

The German Left: Red, Green and Beyond. BY ANDREI S. MARKOVITS AND PHILIP S. GORSKI. New York: Oxford University Press, 1993, 393 pp. $55.00 (paper, $16.95).

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Two young American academics try to assess the role and growth of the Greens in German life and politics. They see the factions called Greens as ". . . without any doubt one of the Federal Republic's most authentic and quintessential creations," in part because they are opposed to German nationalism. The Greens describe a new and, they argue, probably permanent element in a political society where the traditional support of the old left is evaporating. Some interesting insights and a considerable mastery of the literature.

Britain and European Unity, 1945-1992. BY JOHN W. YOUNG. New York: St. Martin's Press, 1993, 217 pp. $39.95.
A brief, narrowly conceived study of British policy toward Europe set in the context of Britain's overall decline. The author, a young British political scientist, argues that membership in the EEC, even belated membership, marked a revolution for an island country that still has no great enthusiasm for Europe. A particular virtue of this short and informative book is its analysis of different interpretations of British policy, with some newly available sources used for the immediate postwar period.

The Rush to German Unity. BY KONRAD H. JARAUSCH. New York: Oxford University Press, 1994, 280 pp. $35.00 (paper, $14.95).
A good piece of contemporary history by a German-born American historian. The book gives a quick survey of the rapidly changing scene in Germany, from the days of East Germans rushing to West Germany through suddenly opened holes in what had been the sealed frontiers of the Warsaw Pact states to the actual, unexpected unification in 1990. The focus is on German developments, above all on those in the German Democratic Republic, in which a revolution broke the communist rule. The leaders of the East German dissident movement at first hoped for a thorough democratic reform within some form of independence, but they were overwhelmed by their own people, who longed for a western-type economy and prosperity. A useful guide to a tangled, improvised history, with adequate attention to the major voices in both Germanies. The immediate past is an element in this "superyear of elections," and hence this somewhat conventional work provides good background reading for a country in search—once again—of its own self and its role in the world.

The United States and the New Europe, 1945-1993. BY PETER DUIGNAN AND L. H. GANN. Cambridge: Blackwell, 1994, 357 pp. $54.95 (paper, $21.95).
A rather complacent retelling of America's beneficent involvement with post-1945 Europe. The bulk of the book deals with the years after 1985. The authors, senior fellows at the Hoover Institution, have read widely and write easily, with clever aperçus and quotes from Molière and Gilbert and Sullivan. Analysis of the past is mixed with prescriptions for the present, including the call for greater and, it is argued, well-founded American optimism, a plea for renouncing America's role as the world's policeman and a

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continued ABM program. A note of triumphalism over "self-styled progressive scholars [and] leftist intelligentsia" marks the book, leading in one instance to distorting the views of a leading European liberal. Or take this example of in-depth analysis: "Most professors dislike military spending, not merely because they prefer peace to war, and spending on welfare to arms, but because professors compete with the military for public acclaim and public funds." These gratuitous remarks aside, there is much useful material here, especially on the economic underpinning of political developments.

D-Day, June 6, 1944: The Climactic Battle of World War II. BY STEPHEN E. AMBROSE. New York: Simon & Schuster, 1994, 655 pp. $30.00.

A publisher's dream: on the 50th anniversary of one of the most dramatic military events in history, a commemorative volume, distinguished by the voices of the men who were there. Stephen Ambrose, historian of the Second World War and biographer of his idol, Dwight D. Eisenhower, bases the best part of the book on the large files of interviews at the Eisenhower Center. He records the planning and the necessarily divergent expectations of D-Day, the bravery and the barbarism of the day itself. In the book—unlike in the anniversary itself—the German side is fully present, its mistakes far greater than our own. The contextual history is primitive, the narrative a compelling, readable reconstruction of a day without parallel.

Western Hemisphere

KENNETH MAXWELL

The Massacre at El Mozote: A Parable of the Cold War. BY MARK DANNER. New York: Vintage Books, 1994, 304 pp. $12.00 (paper).

Mark Danner subtitles his chilling account of the massacre of hundreds of men, women and children by the Salvadoran army's American-trained Atlacatl Battalion in December 1981 "A Parable of the Cold War." To a degree it is, in the sense that the ideological fervor of the early 1980s provided a rationale for the tangled web of half-truths, obfuscations and moral spinelessness that still clings to many of the individuals who became involved in this sorry affair. But the truly disturbing element of the story, at least in its American dimension, is that the individuals involved are not marginal characters but include many of the best and brightest of their generation: Thomas Enders, Elliott Abrams and A. M. Rosenthal, among others. Few reputations survive Danner's relentless investigation. It is worth noting the wall James Baker, then President Reagan's chief of staff, had carefully built between the White House and the professional diplomats and political appointees on the front lines. "It's a dirty little war and they don't want to touch it," is how Enders explained the lack of support from the "upper ranks" when Abrams questioned him. The memory of El Mozote remains inconvenient and this book is a courageous indictment in the classical tradition of American journalism. Danner has provided a striking memorial to the victims of the tragedy who—because of his effort—will not be soon forgotten.

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Intervention! The United States and the Mexican Revolution, 1913-1917. JOHN S. D. EISENHOWER. New York: W. W. Norton & Company, 1993, 393 pp. $27.50.

A timely reminder that not all current dilemmas confronting U.S. policymakers in Latin America are new or the result of the end of the Cold War. There is a much longer and more tangled history here that has the bad habit of reappearing at inconvenient moments. Woodrow Wilson's ill-fated military incursions into Mexico in 1914 and 1916 during the Mexican revolution were bedeviled by many factors: the difficulties of Latin American democratic transitions in the face of chronic social inequities, underdeveloped civil societies and fragmented elites; the temptations of ill-conceived military solutions to intractable political dilemmas; and the unrelenting pressure on the executive branch for action by an aroused but ill-informed media in Washington. Eisenhower provides a sparkling account of the military side of the story, as one might expect from his previous writings. Yet this book also provides a sympathetic and cogent account of events and personalities in this critical period. A fascinating and lively narrative that will be enjoyed by a wide range of readers.

Oil and Revolution in Mexico. BY JONATHAN C. BROWN. Berkeley: University of California Press, 1993, 453 pp. $40.00.

An exhaustively documented and well-written book that reexamines many of the old notions about the impact of foreign capital on the modernization of Mexico between the 1880s and the 1920s, and the ambivalent Mexican reaction to the changes unleashed then. Drawing on his research, the author focuses on the role of the foreign oil companies in Mexico and issues some explicit warnings about the Salinas administration's turn to unfettered markets and foreign investors. The comparison, however, is mostly asserted rather than developed, which is a great pity because events in Mexico since January 1994 (both in Chiapas and Tijuana) have given his prophesy some substance. His findings are complex and sophisticated and not easily summarized, but his bottom line is that inattention to the primacy of Mexico's social heritage is dangerous. He writes: "In few other national histories have the complexities of the preindustrial social order been more evident than in Mexico . . . the thin privileged and fearful European upper crust; the competitive, vulnerable and racially mixed middle strata; the mass of Indian peasants and day laborers, suffering abuses and saving up grudges." This is provocative history at its best. In understanding some of the difficulties facing Mexico in the next few months, this history, as Professor Brown demonstrates, is not one to be ignored by analysts.

Report of the Chilean National Commission on Truth and Reconciliation. Vols. I-II. Notre Dame: Center for Civil and Human Rights, University of Notre Dame Press, 1993, 907 pp. $59.95 (paper, $29.95).

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The University of Notre Dame Press, with the support of the Ford Foundation, does a great service in making available to an English-speaking readership the full text of this exhaustive report on human rights violations in Chile, in particular the most serious, which resulted in deaths and disappearances committed by the Pinochet dictatorship. In two strikingly sober and comprehensive volumes the Chilean National Commission on Truth and Reconciliation, established by President Patricio Aylwin following his inauguration in 1990, documents the tragic facts of those years, names the victims and provides a detailed history of the institutional and historical context within which these crimes occurred. Despite the constraints imposed on the commission by the political transition, the sheer power and transparent honesty of its findings did indeed achieve the catharsis for which Aylwin hoped. The commission's report thus played a critical role in the successful democratization of Chile.

Beyond the Chilean setting, this is also a remarkable document of our times. The thoughtful comparative introduction by José Zalaquett, in particular, should be required reading for those who must confront the now recurrent and difficult problem of how democratic successor regimes balance justice, retribution and truth in the aftermath of massive and systemic violations of human rights by their dictatorial predecessors.

The Heart that Bleeds: Latin America Now. BY ALMA GUILLERMOPRIETO. New York: Alfred A. Knopf, 1994, 288 pp. $23.00.

Despite the overblown claims by David Remnick on the cover of this book, where he calls Alma Guillermoprieto Latin America's Orwell (*The New Yorker* writers should have the good sense not to proclaim each other's brilliance in public), this collection of letters, originally written for that magazine between 1989 and 1993, offers many fascinating insights. Guillermoprieto focuses principally on urban Latin America. Among the best vignettes here is a marvelously crafted account of Mexico City garbage pickers and their political links to the PRI, Mexico's ruling political party; it is a story that tells more about the Mexican regime than 50 turgid accounts by political scientists. Equally instructive is an account of the weird and wonderful world of Brazilian politics and *telenovelas* where life and art (or at least life and popular culture) are sometimes so interwoven that it is difficult to know where one begins and the other ends. Overall this book is as good a place to begin as anywhere for those who want a better feel for the vicissitudes, follies and heroic everyday struggle for survival in Latin America today.

Eastern Europe and The Former Soviet Republics

ROBERT LEGVOLD

Ten Years that Shook the World. BY VALERY BOLDIN. New York: Basic Books, 1994, 310 pp. $25.00.

Fascinating as this book is, the reader would be mistaken to see in it more than a shadow of the truth. Boldin, once a Pravda

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journalist, then for more than a decade a key assistant to Mikhail Gorbachev, and finally his chief of staff, writes bitterly about his former boss, and even more so about Gorbachev's wife. Earlier he proved his bitterness by joining the plotters of the failed August 1991 coup d'état, although here he feigns wide-eyed innocence.

One has trouble figuring out why Boldin worked so long for a man he disliked so early. Long before Gorbachev succeeded to the top post and began tampering with the system, Boldin had discovered in him a man of petty vanity—uncharitable, even cruel, toward underlings and unrelentingly demanding. Yet, for all the bile and accompanying distortion, his account carries more than a small degree of conviction. One sees another Gorbachev unlike the heroic, larger-than-life *Time* magazine "man of the decade." Not only was he (and Raisa), to judge from numerous specific incidents, charmed and preoccupied with his public image—particularly in the West—but he lacked important leadership qualities. Boldin supplies plenty of evidence that Gorbachev found it easier to let himself be carried along by events than to impose himself on them, that he was often confused and rattled by the forces he had unleashed, and that ultimately he was defeated by an absence of deep conviction save for a foggy and disorienting residual of socialist idealism.

Nationalism, Revolution, and the Collapse of the Soviet Union. BY RONALD GRIGOR SUNY. Palo Alto: Stanford University Press, 1994, 200 pp. $35.00 (paper, $13.95).

Here is the book of choice if one wants a succinct treatment of nationalism past and present in the former Soviet Union. Suny, a noted historian of Georgia, Armenia and Azerbaijan and more broadly of the late Imperial Russian and early Soviet periods, compresses into a little more than 150 pages incisive summaries of nationalism among all the key peoples in the Russian empire before 1917. To this he adds an analysis of the notions—initially rather liberal ones—that Lenin brought to the problem of nationalism and self-determination, of the evolution away from these ideas and the particular warp that Stalin gave them, and the hidden problems silently swelling as the regime went about its authoritarian and repressive objectives while simultaneously fostering forces and features guaranteed to undermine them.

Suny brings to the subject a particularly subtle understanding of what nationalism and nationality are all about, one that makes these phenomena modern, subject to invention and constantly evolving (not mystical, eternal, inevitable or primordial). This in turn permits a probing exploration of the relationships between class and nationalism, the state and nationality. The stage is then set for an imaginative, penetrating explanation of the empire's collapse and the emergence of new states, not the crude, commonplace notion that the Soviet "national question" was by Gorbachev's day a time bomb sure to go off when the system was jostled. Thus, the concluding chapter is something of a disappointment when it delivers the latter—albeit in sophisticated form—rather than the former.

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Special Tasks: The Memoirs of an Unwanted Witness—A Soviet Spymaster. BY PAVEL SUDOPLATOV AND ANATOLI SUDOPLATOV, WITH JERROLD L. AND LEONA P. SCHECTER. New York: Little, Brown, 1994, 509 pp. $24.95.

"My Administration for Special Tasks," Sudoplatov begins, "was responsible for sabotage, kidnapping and assassination of our enemies beyond the country's borders." The administration to which he refers was one of the key divisions in Stalin's security police, an agency he headed from the summer of 1941 until he took over the Fourth Directorate, which was responsible for guerrilla warfare behind German lines. The assassinations included Trotsky's, a project Sudoplatov directed and here describes in detail. Stalin met with him twice during the plot, and Sudoplatov gives a revealing account of the dictator's mood and motives in commanding the murder.

Earlier he had personally killed Yevhen Konovalets, the leader of an émigré Ukrainian nationalist organization, in Rotterdam with a bomb rigged in a box of chocolates. His long career began as a 14-year old in a special intelligence unit in the Ukraine (fighting the army of the same Konovalets whose inner circle he would penetrate 15 years later) and eventually gave him control over Department S, the organization responsible for gathering intelligence on atomic bomb research in the West and funneling it to Soviet scientists. Sudoplatov devoted himself to the business of grooming and deploying agents, counteragents and masters of deception and disinformation.

Given the intensely sensitive positions that he occupied for the period of high Stalinism, he is able to provide not only missing information on an astonishing range of questions—from the fate of Raoul Wallenberg to the impulses behind the anti-Jewish "Doctors' Plot"—but also a clear picture of his grim organization's inner workings. Yet, reader beware: at points Sudoplatov recounts things he could not have known (such as a given leader's private motives) as though he did, and, in the book's most discrediting section, he tars the famous principals in the Manhattan Project with the unsubstantiated charge of knowingly abetting Soviet agents in gathering the information Moscow so eagerly sought.

The Unquiet Ghost: Russians Remember Stalin. BY ADAM HOCHSCHILD. New York: Viking, 1994, 302 pp. $22.95.

There is by now a vast cathedral of literature on the gulag—some of it meant to convey the unimaginable scale and monstrosity of it, more of it to tell of the extraordinary transactions taking place between tormentor and victim, among victims and within a victim. As soon as Gorbachev's liberalization made the idea plausible, Hochschild decided to go to the Soviet Union to do the compellingly natural follow-up. He went to see how people a half-century after the horror now related to it, particularly how its perpetrators and prey now feel.

For six months in 1991 he tracked down survivors, children of those who perished, ex-guards and interrogators, petty members of the elite and even maids to the mighty Stalin. He traveled to the camps—to Karaganda, the Kazakhstan expanse and ultimately Kolyma,

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the harshest iced corner of the gulag. The surprising impression that slowly, steadily emerges from his encounters is how flat, unphilosophical and unsensationalized the legacy has been rendered. Most of his contacts seemed to deal with it as they had with the original event: some with ongoing denial, some with remarkable stalwartness, even humor, and some with a shrug. The book's leitmotiv becomes a question they all ask: "Why are you interested?" Maybe, however, as Hochschild appears to suspect, the truer legacy is embodied in those he sought to meet but who would not or could not bring themselves to talk. In any event, the journey is brisk, well-told, moving and a little uncomfortable. The author keeps asking himself along the way: Would I have been less deluded, less given to denial, less weak or less different from, in Eugenia Ginzburg's phrase, either the hammer or the anvil?

Return to Diversity. BY JOSEPH ROTHSCHILD. New York: Oxford University Press, 1993, 299 pp. $38.00 (paper, $14.95).

Rothschild underscores at the outset that he has written a basic general survey of east-central Europe in the twentieth century through the end of communism. A distillation, he warns his readers, not a rich compendium of detail and personalities. What he has the grace not to trumpet is that this second edition builds on his classic history of this region during the interwar years published in 1974. Thus, while his book is indeed a relatively brief survey, it originates in and reflects a profoundly rich and deep historical perspective.

The last chapter, devoted to the collapse of communism, is too brief, and other histories already exist that do greater justice to this final phase. Nonetheless, few have told the whole story as well.

Middle East

WILLIAM B. QUANDT

The Shi'is of Iraq. BY YITZHAK NAKASH. Princeton: Princeton University Press, 1994, 312 pp. $35.00.

This is a superb study of Iraq's Shia majority. Based on remarkable scholarship, the book brings to life a whole political community that has often been seen as a mere appendage of the larger Shia population in Iran. How far from the truth this misperception is can be seen in each of the well-researched chapters.

Only in the nineteenth century did the Arab tribes of southern Iraq become Shia. Their religious identity did not displace their strong identity as Arabs, and many of the rituals they adopted were modified to reflect their own values and customs. With the rise of the modern state in the twentieth century, Iraqi Shias sought independence as Iraqis, and barriers grew up between them and their coreligionists in Iran. Unable to translate their numerical advantage into political power, the Iraqi Shias nevertheless identified with the state. During the long Iran-Iraq War in the 1980s, most of the

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Iraqi army consisted of Shias. When the Shia did rise up against Saddam Hussein in early 1991, with encouragement from President George Bush, they did so to oust a detested regime, not to form a separate Iraqi Shia state.

If only these conclusions had been understood by the Bush administration as well as the gulf Arabs in early 1991 there might have been less reluctance to support the popular revolt that could have rid Iraq of the worst government in its modern history. At the same time, this study is a potent reminder of the power of the modern state to shape and control even such basic social phenomena as religious identity and its expression. The debut of this Middle East historian is a great success and shows much promise for the future.

From Abdullah to Hussein: Jordan in Transition. BY ROBERT B. SATLOFF. New York: Oxford University Press, 1994, 251 pp. $39.95.

Early in 1957, John Foster Dulles expressed the view that "Jordan had no justification as a state." Thirty-seven years later, Jordan stands out as a surprisingly viable, politically sophisticated country that is looked upon with envy by many others in the region. This excellent study of the transition from Jordan's first to third king helps explain why this small country with few resources has done so well. A good part of the story involves the "king's men," the politicians who surrounded King Abdullah, then oversaw the potentially awkward transition after his assassination and the brief period of Talal's kingship. As these able men maneuvered for position and power, they never lost sight of their dependence on the king, and thus they bent their efforts to making the system work. The king reciprocated by cycling them in and out of key positions. There were few permanent winners or losers, and from early on this gave Jordanian political life more of a sense of openness and accountability than is commonly found in the region. Shortly after Dulles was writing off Jordan's prospects, the young, often indecisive King Hussein was on the verge of establishing his authority. In doing so, he turned to the men who had served his grandfather well. And he continues to this day to ensure that their offspring are given pride of place in Jordan's rich political life. Satloff has written a fine account of these years, relying heavily on British and American diplomatic correspondence. Jordanian sources are less easily available, but he makes good use of interviews and written sources. Inevitably this creates a picture of Jordan as seen primarily through Anglo-Saxon eyes, but the picture nonetheless rings true.

The Norway Channel: The Secret Talks that Led to the Middle East Peace Accord. BY JANE CORBIN. New York: The Atlantic Monthly Press, 1994, 213 pp. $22.00.

This engaging account of the secret negotiations that resulted in the Oslo accord between Israel and the PLO has all the strengths of first-rate journalism, as well as some of its limitations. The story of the talks is told well, the narrative has a you-are-there quality and is timely. The individuals involved in this remarkable diplomatic episode come alive, especially the author's favorites, the Norwegians who shepherded the project, Terje Larsen

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and Mona Juul. There is also much to be learned here about the conduct of negotiations and the role of mediators. Like other instant histories, however, this account is richer in description than in analysis, and the reader is left wondering how the Oslo accord is connected to the broader issues of the Middle East. As with so many journalistic accounts, this one relies heavily on "quotations" that cannot literally be the words that someone spoke. At best, these are "remembered" quotations, as are the thoughts and feelings attributed to the various protagonists. This technique makes for a lively account, but creates a text that often reads more like a novel than analytical history. In short, this is certain to be the best version of the Norway channel for some time to come, but eventually it will be supplemented by those that provide more context, more analysis and more rigorous use of sources. In the meantime, read and enjoy.

Sandcastles: The Arabs in Search of the Modern World. BY MILTON VIORST. New York: Alfred A. Knopf, 1994, 414 pp. $25.00 (paper).

This is hardly the first book to try to portray the difficult encounter between Arab societies and the modern world. But it does stand out as a particularly insightful, fair-minded and literate account. The author has traveled widely and talked with many Arabs—politicians, artists, writers, workers—and he allows them to tell their story in their own words. Viorst has a keen eye, and his descriptions of Baghdad, Cairo, Gaza and Kurdistan always contain indelible vignettes. There is no grand theme or elaborate synthesis here, but rather a somewhat hesitant conclusion that Islamic culture poses formidable challenges for those Arabs who are seeking greater freedom and democracy. But Viorst is careful not to be dogmatic, recognizing that much is in flux in the Arab world today. His sympathies are clearly with liberals and modernizers, but he shows respect for those with other views. And, always, he listens. As an introduction to the Arab world today, this is a fine series of sketches.

Rules and Rights in the Middle East: Democracy, Law, and Society. EDITED BY ELLIS GOLDBERG, RESAT KASABA, AND JOEL MIGDAL. Seattle: University of Washington Press, 1993, 280 pp. $35.00 (paper, $17.50).

Democracy and the Middle East are often thought to be like oil and water: they just do not seem to mix. But that dismissive notion has always been partially off the mark, and these days there is more indigenous debate about democracy in the region than ever before. What was once seen as a colonial import is now being discussed as a possible remedy for some of the ills of the region. This collection of first-rate essays looks carefully at the circumstances of several Middle Eastern countries, including Turkey, Israel, Syria and the Maghreb countries, as well as ideas of the state in classical Islamic theory to offer some insights into the question of where and whether democracy may take root in the region. One theme that

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stands out is that nothing in Islam per se is incompatible with the idea of limiting the sphere of influence of the state. Thus, one of the building blocks of democracy is sanctioned by classical Islamic political theory, if not always reflected in recent practice.

Israel's Nuclear Dilemma. BY YAIR EVRON. Ithaca: Cornell University Press, 1994, 312 pp. $39.95.

One of Israel's leading strategic thinkers joins an important discussion with an eminently sensible book that asks how nuclear weapons will affect Middle East politics and how Israel should deal with its undisclosed option. Evron sees proliferation of nuclear weapons in the Middle East as a grave development. He is skeptical of those who draw parallels between the seeming stability of the superpower nuclear balance and what would occur in the Middle East if several powers possessed nuclear weapons. He has little patience with those in Israel who have urged greater reliance on a declared nuclear option for deterrence purposes. This, he believes, would make further proliferation inevitable.

He sides with those who would maintain an ambiguous option for purposes of last-resort deterrence and to counter any nuclear weapons that might end up in the hands of other regional powers. But if ever faced with the choice of abandoning nuclear weapons as the price for a nuclear-free Middle East or keeping nuclear weapons in a region of similarly armed neighbors, Evron contends that Israel would be better off without nuclear weapons.

The Origins of the Second Arab-Israeli War: Egypt, Israel and the Great Powers, 1952-56. BY MICHAEL B. OREN. Portland: Frank Cass, 1993, 199 pp. $40.00.

Books on the Suez crisis of 1956 are not in short supply. Even before the Israeli, American and British archival sources were available, Suez was the subject of lengthy and often partisan analysis. Now the records, except for Egyptian ones, are widely available, and partisanship is being replaced by balanced scholarship, as in this short and incisive survey of the steps leading to war in 1956. The author cites the dynamics of inter-Arab politics as the force pulling Nasser into the Palestinian conflict, Israeli activism for raising tensions, and Dulles' awkward stance of simultaneously backing the British and Nasser for sowing confusion. There is not much that is new in the retelling of the story, but the use of original sources is impressive, and the tone is balanced. One is left with the feeling that Suez was somehow inevitable, or at least the Egyptian-Israeli part of it.

Iran's Economy under the Islamic Republic. BY JAHANGIR AMUZEGAR. New York: I. B. Tauris, 1993, 398 pp. $59.50.

It would be surprising if a former minister of finance in the shah's regime did not have harsh criticisms to make of the economic record of the Islamic Republic. The surprise, then, is not the overall conclusion, but rather the balanced and dispassionate effort to work through the inadequate data to show what has in fact happened to the Iranian economy since the revolution. The war with Iraq was costly, and the collapse of oil prices in the mid-1980s hurt all oil-producing coun-

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tries. But the author argues that the primary reason for the nearly 40 percent decline in per capita income in the decade since the revolution was the adoption of an inward-looking economic model. Even with respect to redistribution from rich to poor, Iran has done little more than narrow the gap by making the rich poorer. Nor has the regime succeeded in devising an Islamic model for the economy. Instead, Iran is returning to the policies of industrialization, development of the oil sector and population control that were features of the prerevolutionary economy. This is a sobering book, perhaps too pessimistic in its perspective, but certainly a major source for anyone who wishes to assess the costs and benefits of the Iranian revolution for those it was ostensibly meant to help—the people of Iran.

A People Without a Country: The Kurds and Kurdistan. EDITED BY GERARD CHALIAND. New York: Olive Branch Press, 1993, 259 pp. $14.95 (paper).

Kurds number about 15 million people, spread over the territories of five states. Despite a long history of struggling for autonomy and independence, they are still far from having anything resembling a state of their own. Only in northern Iraq do they genuinely govern themselves, and that precarious situation depends to a large degree upon the vagaries of Turkish and American policies. This edited volume goes a long way toward introducing the reader to the political realities that confront the Kurds. Many of the essays are written by Kurdish intellectuals. At some point in the not-so-distant future, American leaders may have to face up to Kurdish issues in Iraq and possibly Turkey. This book could help fill the information deficit that usually surrounds those discussions.

Asia and the Pacific

DONALD ZAGORIA

Uncertain Partners: Stalin, Mao, and the Korean War. BY SERGEI N. GONCHAROV, JOHN W. LEWIS AND XUE LITAI. Stanford: Stanford University Press, 1993, 393 pp. $45.00.

There are numerous studies of the process that led to Truman's decision to intervene in Korea. But there has been little authoritative information about the perceptions and policies of Stalin, Mao and Kim Il Sung, the communist leaders who initiated the conflict. This volume, the result of collaboration between Russian, Chinese and American scholars, seeks to fill the gap.

Although a prodigious amount of research went into this volume, it is not, and cannot be, definitive. As the authors themselves point out, "there is a continuing paucity of Soviet materials." Indeed, on many crucial questions, the authors are reduced to merely citing Russian archivists who have had access to the archives. Moreover, the presidential archives in which Stalin's papers are held remain closed, which they do not make clear. What they say is that prior to April 1950—two months before the attack—Stalin was cautioning Kim Il Sung about

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the danger of a wider war. Stalin was prudent, and he feared getting involved in a wider war with the United States. But after April 1950, according to a Soviet diplomat who had access to the archives, Stalin "for some reason changed his mind and began to push for a military solution very actively." What is not clear from this volume is why Stalin changed his mind.

On this critical point, the authors are reduced to speculation. They pile explanation on explanation, most based on conjecture about Stalin's motivations. This is not to detract from their achievement. This volume assembles a great deal of information and will be essential reading for historians who follow the subject. The final word on Stalin's motivations for changing his mind in April 1950, if indeed that was the case, will have to await the opening of the Stalin archives.

One final point: students of deterrence theory will find nothing here to contradict their long-held view that the U.S. failure to include Korea in the U.S. defense perimeter helped convince the prudent Stalin that he could achieve a major victory without great risk. Stalin was constantly scrutinizing U.S. policy for signs of resolve or a lack thereof. Thus, if the United States had taken a stronger line on the importance of defending Korea in early 1950, the Korean War might have been averted.

The Political Economy of China's Financial Reforms: Finance in Late Development. BY PAUL BOWLES. Boulder: Westview Press, 1993, 206 pp. $49.95.

In this extremely stimulating and controversial account of China's economic progress, the authors advocate a strong role for the government in directing financial reforms, a position that runs against the orthodox advice offered by most international agencies. They contend that there is an East Asian model of development, exemplified by South Korea and Taiwan, but also including Japan, where high rates of growth have been achieved because the state has played a substantial role in owning financial institutions, administering interest rates and directing credit. Control of the financial system, they contend, played a crucial role in promoting the structural transformation of the economy and was a central component of a highly effective pattern of state-directed development.

Whether or not one accepts the analysis and its implications for China—and the case is quite convincing—the authors provide a lucid and scholarly analysis of the financial reform process in China, thus filling a substantial gap in the research on the Chinese economic reform process.

Keiretsu: Inside the Hidden Japanese Conglomerates. BY KENICHI MIYASHITA AND DAVID W. RUSSELL. New York: McGraw-Hill, 1994, 225 pp. $22.95.

An American business journalist based in Japan and his Japanese counterpart deliver a wealth of information about the mammoth corporate alliances that lie at the heart of the Japanese business system. They begin by observing how ignorant most American companies are about their Japanese competitors, and they reflect on the fact that so many U.S. corporations are not studying business as thoroughly and systematically as the Japanese. To the Japanese, this is carelessness, and carelessness is one step away from failure.

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Can or should the United States imitate the Japanese *keiretsu* system? Obviously not. As the authors point out, the American equivalent of the *keiretsu* system would be if Ford Motor Company, General Electric Company, Digital Equipment Corporation, Metropolitan Life Insurance Company, Morgan Guaranty, Goodyear Tire and Rubber Company, Du Pont, 3M, Kimberly-Clark Corporation, Merck & Company, Reynolds Metals Company, Mobil Oil Corporation and TRW, Inc., were to link up, exchange small percentages of their stock with other group members, exchange directors, agree to buy from each other whenever feasible, exchange information about their respective markets, cooperate on new ventures, cooperate to support political candidates and lobby for legislation that would further the group's goals.

Can or should U.S. business learn from the *keiretsu* system? The authors say that they can and that some U.S. companies are already doing so. They cite three important areas where American firms can profit from adopting *keiretsu* strategies: in building long-term relationships between suppliers and manufacturers; in transforming non-core businesses into affiliated subsidiaries; and in learning to cooperate in R&D ventures. As the authors suggest, there is a critical need for American business and government to reflect on the need to study Japanese and other foreign competitors more systematically. Is anyone in the CIA or the Department of Commerce listening?

Japan's International Agenda. EDITED BY YOICHI FUNABASHI. New York: New York University Press, 1994, 192 pp. $29.95.

In this volume, a group of younger Japanese scholars led by Yoichi Funabashi, the prolific bureau chief of *Asashi Shimbun* in Washington, discuss ways in which Japan can play a more constructive role in world politics. Their suggestions are sensible enough, but Funabashi himself diagnoses the critical problem: "Japan cannot develop an effective international role until there is a significant measure of domestic political change." Writing before the fall of the Liberal Democratic Party, he points out that the opposition "has not yet developed the psychology and the policy positions required of a governing party." Their behavior during the gulf crisis was a telling example of political immaturity. Funabashi concludes by noting that there will be a generational change in the political leadership of all of the major political parties in the next decade and more internationally minded, confident leaders will appear.

Korean Unification: Implications for Northeast Asia. EDITED BY AMOS A. JORDAN. Washington: Center for Strategic and International Studies, 1993, 120 pp. $14.95 (paper).

This volume is the result of two conferences sponsored by the Pacific Forum/CSIS in 1992 at which academics from the United States, China, Japan, Russia, South Korea and North Korea presented papers on the prospects for Korean reunification and touched on the North Korean nuclear issue. As is often

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the case with conference proceedings, the papers are uneven, and most do not warrant publication. Moreover, the pace of events regarding the North Korean nuclear question has overtaken much of the analysis here.

Africa

GAIL GERHART

Africa and the Disciplines: The Contributions of Research in Africa to the Social Sciences and Humanities. EDITED BY ROBERT H. BATES, V. Y. MUDIMBE AND JEAN O'BARR. Chicago: The University of Chicago Press, 1993, $24.95 (paper, $9.95).

This is an important book despite not being wholly successful on its own terms. Its aim is to boost the status of African-area research across a range of academic disciplines, and thus to counter what is often perceived to be the marginalization of Africanists within American universities. Africanists seeking jobs, tenure and inspiration will henceforth be packing this book in their survival kits, and department heads who don't know Nandi from Nuer will find it illuminating.

The book is not a defense of multiculturalism, although its authors on occasion make reference to current debates on that subject; nor is it an attempt to review current research on Africa. Rather, as the title indicates, the editors have challenged their contributors to survey and evaluate the ways in which knowledge gleaned in Africa has shaped the development of their respective disciplines.

Not all the essasy are successful, but the volume as a whole remains as close to a collective tour de force in African studies as we are likely to see for some time. If there is a single theme that draws this book together, it is that the production of knowledge is related to the structure of power. In the late twentieth century, as Westerners have increasingly shared the world stage with other claimants to influence, wealth, culture and enlightenment, the narrow identification within the academy of what is Western with what is universal has gradually become less and less tenable ("true") and has thus given way to broader definitions of truth.

Chained Together: Mandela, De Klerk, and the Struggle to Remake South Africa. BY DAVID OTTAWAY. New York: Times Books, 1993, 291 pp. $25.00.

A good journalist can look behind what's happening and see what's going on. From early 1990 until late 1992, Ottaway covered South Africa for the *Washington Post* with a fine eye for the complex political agendas alternately guiding and misguiding the contending players. It was a confusing time of false starts and political shadowboxing, the demythologizing of Nelson Mandela, and the retreat of F. W. De Klerk from the role of heroic reformer to that of mysteriously impotent bystander as township violence spiraled to record heights. Ottaway deftly leads readers through this potentially bewildering historical landscape, synthesizing, clarifying and distilling the essential features of South Africa's stumbling progress toward democracy. An important book for an understanding of these pivotal years.

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The Debt Crisis in Africa. BY WAYNE E. NAFZIGER. Baltimore: Johns Hopkins University Press, 1993, 287 pp. $38.50.

A Blighted Harvest: The World Bank and African Agriculture in the 1980s. BY PETER GIBBON, KJELL J. HAVNEVIK AND KENNETH HERMELE. Trenton: Africa World Press, 1993, 168 pp. $39.95 (paper, $14.95).

These two solidly researched, accessible books join the growing literature on the political economy of African debt. Nafziger, an economist from Kansas State University, offers the more comprehensive treatment, reviewing the origins of Africa's crisis in the 1970s, drawing comparisons with Latin America, and surveying the range of debt relief proposals formulated by OECD governments in the 1980s. *A Blighted Harvest*, authored by a team sponsored by the Scandinavian Institute of African Studies, examines the application of World Bank structural adjustment programs in the agricultural sector only, focusing on countries that have received substantial Nordic aid.

Both books fault African governments for permitting a disproportionate share of the heavy costs of structural adjustment to be passed to the poor, but both save their strongest criticism for the cartel of Western lender institutions whose ill-conceived (the Scandinavians say "criminal") policies are held ultimately responsible for Africa's worsening economic woes. Neither book suggests any new solutions, although Nafziger presents a rundown of the standard old ones, including default, which he suggests may be Africa's only choice in the end.

Against All Odds: A Chronicle of the Eritrean Revolution. BY DAN CONNELL. Trenton: Red Sea Press, 1993, 309 pp. $24.95.

What happens to an African revolution nurtured on rigid Maoism, battered by 30 years of brutal warfare, divided into rival movements, bereft of external allies and ideologically committed to the construction of a single country out of a society traditionally splintered along religious, linguistic and class lines? By a supreme effort of will, patience and pragmatism, it succeeds. Doomsayers of the new world disorder notwithstanding, Africa's newest nation seems off to a reasonably propitious start, and this thoughtful and engagingly written account of the Eritrean war of independence goes far to explain why. Wartime attempts at social reconstruction are portrayed in a somewhat romanticized light, but the author readily acknowledges that political success will not easily be translated into rapid reforms in the post-independence era. The author, a freelance journalist and aid organizer, knows his subject intimately and is able to simplify its complex history for the general reader while still conveying much of its epic quality. A good choice to interest sophisticated younger readers in the study of Africa.

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The Fight over Competitiveness

A Zero-Sum Debate?

Playing to Win

CLYDE V. PRESTOWITZ, JR.

Paul Krugman first achieved a measure of public recognition with a study of competition in the aircraft industry, which proved mathematically the potential efficacy of strategic—that is to say managed—trade. That this analysis was considered important might seem odd in view of the fact that the German-American scholar Friedrich List had done more or less the same work nearly 150 years ago and in view of the experience of the Japanese, who had been practicing strategic trade for more than 40 years at the time of Krugman's study. But given the narrow scope of the research considered permissible by the conventional wisdom of U.S. economists, as well as their ignorance of history and other disciplines, Krugman's analysis was a notable, iconoclastic achievement.

Indeed, it may have been too daring because ever since its publication Krugman has been running away from the implications of his own findings. His diatribe in *Foreign Affairs* (March/April) against the concept of competitiveness and those who espouse it is only the most recent example.

Krugman not only claims that concern with competitiveness is misplaced. He attacks all those who think otherwise—including leading members of the Clinton administration such as Robert B. Reich, Ira C. Magaziner, Laura D'Andrea Tyson and the president himself—as protectionists whose work is careless if not dishonest and whose motives run from simple greed to chauvinism and demagoguery.

Krugman contends that concern about competitiveness is silly because as a practical matter the major countries of the world are not in economic competition with each other. He attempts to prove this by making three points. First he argues that trade is not a zero-sum game. Trade between the United States and Japan is not like competition between Coca-Cola and Pepsi because whereas Pepsi's gain is almost always Coke's loss, the United States and its trading partners can both be winners through the dynamics of comparative advantage.

Although true to some extent, this rationale ignores that different kinds of trade take place. Surely Krugman is cor-

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rect in the case of trade between the United States and Costa Rica, where America imports bananas it does not grow and exports airplanes and machinery that Costa Rica does not make. Both countries come out winners by devoting their resources to what each does best. But what about the kind of trade typified by the recent Saudi Arabian order for $6 billion of new airplanes? Why were the Europeans so upset and Clinton so happy when the Saudis announced that U.S. producers would win all the orders? Both the Europeans and the Americans make airplanes, and this order means that the United States will gain jobs and income that Europe might have had but lost. This was largely a zero-sum trade situation, and ironically it was precisely the case that first brought Krugman to prominence. Maybe he was right the first time.

IT'S LIVING STANDARDS, STUPID

In fact, Krugman later concedes the point by allowing that "in principle" competitiveness problems could arise between countries. But he insists that they do not in practice because trade is a relatively small part of GNP in the major countries. Consequently, living standards are determined almost wholly by how well the economy works domestically rather than by international performance. In this vein, he observes that exports constitute only 10 percent of U.S. output, apparently leaving 90 percent of the economy to purely domestic factors. Moreover, he attributes 91 percent of the 1973 to 1990 stagnation in U.S. living standards to declining domestic productivity growth and only 9 percent to deteriorating terms of trade.

But competitiveness proponents have never denied the importance of domestic economic performance. Indeed, virtually all competitiveness prescriptions emphasize domestic savings and investment rates, education, cost of capital and research and development. Trade is typically treated as a secondary issue—more a symptom than a cause of subpar competitiveness. Second, Krugman ignores

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America's imports—which equal 11 percent of GNP and nearly half of U.S. manufacturing output. Thus, overall trade is equivalent to about 21 percent of GNP, and by some estimates the impact of trade is felt directly by at least half the U.S. economy. Take the U.S. auto industry. It is not a big exporter, and imports account for only about 15 percent of the U.S. market. But the prices and quality of those imports help determine the retail prices U.S. automakers can charge, wages of U.S. auto workers and incomes of those who service the U.S. auto industry.

Krugman does not explain the slowdown in U.S. productivity growth, but he implies that domestic factors are the sole culprits. Yet the slowdown came just when U.S. imports were soaring and entire industries such as consumer electronics were being wiped out by foreign competitors pursuing mercantilist tactics. Surely these dislocations had some impact on U.S. productivity growth.

Krugman's third and final argument is that although countries may be rivals for status and power, such rivalry is something apart from economics and has no impact on living standards. A high relative growth rate may enhance Japan's status, for example, but it does not reduce the living standard of other countries. Although this notion may be true in the short-term, absolute sense, it is not necessarily true in the long-term, potential sense. Since the end of World War II, the United States has grown faster than Great Britain. The United States has done so in part by taking British inventions such as jet planes and radar and commercializing them faster than the British, thereby closing off those industries as potential avenues of British growth. Of course, if Britain could enter other high-growth, high-wage industries, the U.S. position would make no difference. But at any one time the number of those industries is limited; missing the boat on one can mean losing potential gains in living standards. In the extreme, loss of economic competitiveness can weaken national security and cause greater vulnerability to political regimes and international cartels that may severely constrain a country's economic potential. This competition is, after all, what imperialism and its opposition has been all about.

SPLITTING HAIRS

To buttress his arguments, Krugman attacks his critics' arithmetic as careless. Yet Krugman's own arithmetic is careless and selective. His analysis of how manufacturing job loss affects real average wages ignores the relationship between service and manufacturing wages. American barbers are not notably more productive than Bangladeshi barbers. But their wages are much higher because their customers work with much higher productivity than the customers of their Bangladeshi counterparts. Loss of high-wage U.S. manufacturing jobs also depresses not only manufacturing wages, but service industry wages as well. Krugman, however, fails to mention this drag.

Krugman's discussion of value added is even more questionable. He may have a point in that "high value added" has become a kind of shorthand for technology-intensive and high-wage industries when that is not always the case. But Krugman uses very broad industry cate-

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gories to make his point, although the data he draws on clearly show that a huge industry like electronics consists of many sectors, some with high value added and others with low. Overall, Krugman notes a figure of value added per worker in the electronics industry of only $64,000. But why did he ignore the tables showing the figures of $443,000 for computers and $234,000 for semiconductors?

Krugman concludes by expressing fear of the possible distortion of the U.S. economy through the application of flawed competitiveness policies. He could, of course, be right. But can the United States be confident that an analyst who has such obvious gaps of his own and who has now argued both sides of the competitiveness issue can be relied on as the guide? Perhaps he is wrong, and competitiveness, far from being a dangerous obsession, is an essential concern.

CLYDE V. PRESTOWITZ, JR.
President of the Economic Strategy Institute and Director-General of the Pacific Basin Economic Council

Microchips, Not Potato Chips

LESTER C. THUROW

The Gang of Eight (Bill Clinton, John Major, Jacques Delors, Robert Reich, Laura D'Andrea Tyson, Mickey Kantor, Ira Magaziner, Lester Thurow) pleads not guilty to Paul Krugman's charges that it is grossly exaggerating the importance of international competitiveness.

Krugman asserts that, economically, nations have "no well-defined bottom line." Wrong! Nations seek to raise the living standards of each citizen. Higher living standards depend on rising productivity, and in any economy the rate of productivity growth is principally determined by the size of domestic investments in plant and equipment, research and development, skills and public infrastructure, and the quality of private management and public administration.

I have written articles referring to strategic trade policies as the "seven percent solution." Ninety-three percent of economic success or failure is determined at home with only seven percent depending on competitive and cooperative arrangements with the rest of the world. My book, *The Zero-Sum Solution: Building a World-Class American Economy*, contains 23 pages on competitiveness issues, 45 pages on the importance of international cooperation and 333 pages on getting things right at home. The centrality of domestic invention and innovation is precisely why I agreed to lead the Lemelson-MIT program in invention and innovation, one part of which is a $500,000 prize for the American inventor and innovator of the year. The corpus of writings, speeches and actions of the rest of the Gang of Eight contains similar quotations, proportions and actions.

But remembering this sense of proportion, what is the role for competitiveness? Clearly something is wrong with Krugman's arithmetic that shows international trade cannot make much difference to American productivity. If his arithmetic were correct, then it follows that a lot of American protection might be quite a good thing.

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Today 6 million Americans are working part-time who would like to work full-time, and almost 9 million are unemployed. In the last 20 years the bottom two-thirds of the male work force has taken a 20 percent reduction in real wages. The American work force could use a few million extra high-wage jobs. Suppose the United States were to impose quotas on manufactured imports so as to bring American imports (now 14 percent of gross domestic product) down to the 10 percent of GDP currently exported—that is, increase the domestically produced GDP by $250 billion. According to the U.S. Department of Commerce, if one divides manufacturing output by manufacturing employment, every $45 billion in extra output represents one million jobs. Production of current imports would absorb more than 5 million of those 15 million underemployed and unemployed people.

Since more Americans would be working in a sector with above-average productivity, national output and earnings would rise. The losses to the American consumer in the form of higher prices would be smaller than the gains to American producers in the form of higher earnings unless American producers were less than half as efficient as those abroad (an unlikely event). But even if that were the case, the economic burden of their inefficiency would be trivial relative to American GDP of $6.5 trillion. The gains to workers would be well worth the loss in output. But certainly none of the Gang of Eight advocates such policies, although they would seem to be called for by Krugman's simple arithmetic. Why?

WELCOME TO THE REAL WORLD

The simple arithmetic of what economists call "comparative statics" is technically right but economically wrong. If the domestic economy is to succeed in moving to higher levels of productivity and income, it must first compete successfully in the global economy. Foreign competition simultaneously forces a faster pace of economic change at home and produces opportunities to learn new technologies and new management practices that can be used to improve domestic productivity. Put bluntly, those who don't compete abroad won't be productive at home.

Although he denies saying it, Michael J. Boskin, chairman of President Bush's Council of Economic Advisers, will go down in history as the man who said, "It doesn't make any difference whether a country makes potato chips or computer chips!" The statement is wrong because wages and rates of return to capital are not everywhere equal.

The real world is in a perpetual state of dynamic disequilibrium where differentials in wages and rate of return to capital by industry are both large and persistent (these above-average wages or returns to capital are technically called disequilibrium quasi-rents). Within manufacturing in 1992 there was an almost four-to-one wage gap between those working in the highest- and lowest-paid industries. The industries at the top and bottom have changed little since World War II. Rates of return to capital similarly ranged from plus 27 percent in pharmaceuticals to minus 26 percent in building materials.

Pharmaceuticals top the rate of return charts every year. The market is always eliminating the high rates of return on

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existing drugs, but disequilibrium quasi-rents are always being created on new drugs. Because every successful pharmaceutical firm requires huge amounts of time and capital to build physical and human infrastructure, those already in the industry find it relatively easy to stay ahead of those who might seek to enter.

PUTTING PEOPLE FIRST

Those who lost jobs in autos and machine tools as American firms lost market share at home and abroad typically took a 30 to 50 percent wage reduction, if they were young. If they were over 50 years of age, they were usually permanently exiled to the periphery of the low-wage, part-time labor market. Their losses might not be a large faction of GDP, but those losses are important to the millions of affected workers and their families. The correct redress for their problems, however, is not to keep Japanese autos or machine tools out of the American market but to organize ventures such as the government-industry auto battery consortium that seeks to expand the American auto industry's market share by taking the lead in producing tomorrow's electric cars.

Since aircraft manufacturing generates technologies that later spread to the rest of the economy and above-average wages, the United States cannot simply ignore the government-financed European Airbus Industrie challenge in an industry America currently dominates.

The fastest-growing and technologically most exciting industry over the next decade is expected to be the industry that lies at the intersection of telecommunications, computers, television and the media arts. Given this prospect the United States cannot afford to let itself be locked out of the Japanese wireless telecommunications market or permit the Europeans to limit American movies and television programs to 40 percent of their markets. To do so is to make the entire American economy less dynamic and less technologically sophisticated and to generate lower American incomes than would otherwise be the case.

In the traditional theory of comparative advantage, Boskin and Krugman are correct. Natural resource endowments and factor proportions (capital-labor ratios) determine what countries should produce. Governments can and should do little when it comes to international competitiveness. With a world capital market, however, all now essentially borrow in London, New York or Tokyo regardless of where they live. There is no such thing as a capital-rich or capital-poor country. Modern technology has also pushed natural resources out of the competitive equation. Japan, with no coal or iron ore deposits, can have the best steel industry in the world.

This is now a much more dynamic world of brainpower industries and synthesized comparative advantage. Industries such as microelectronics, biotechnology, the new materials industries, telecommunications, civilian aircraft production, machine tools, and computer hardware and software have no natural geographic home. They will be located wherever someone organizes the brainpower to capture them. With man-made comparative advantage, one seeks not to find disequilibrium quasi-rents (the gold

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mine of yore) but to create the new products and processes that generate above-average wages and rates of return.

In their funding of education, skills and research and development, governments have an important role to play in organizing the brainpower necessary to create economic leadership. Just as military intelligence estimates about U.S.S.R. intentions partly guided yesterday's strategic military research and development, so the actions of U.S. economic competitors will partly guide tomorrow's civilian research and development. If the Japanese have an insurmountable lead in flat-screen video technology, it does not make sense to invest government or private resources or talent in a hopeless attempt to catch up.

The smart private firm benchmarks itself vis-à-vis its best domestic and international competition. Where it is not the world's best, it seeks to adopt the better practices found elsewhere. A smart country will do the same. Is America's investment in plant and equipment, research and development, skills and infrastructure world class? Do American managers, private and public, have something to learn from practices in the rest of the world? The purpose of such benchmarking is not to declare economic warfare on foreign competitors but to emulate them and elevate U.S. standards of performance.

Obsessions are not always wrong or dangerous. A passion for building a world-class economy that is second to none in generating a high living standard for every citizen is exactly what the United States and every other country should seek to achieve. Achieving that goal in any one country in no way stops any other country from doing likewise.

LESTER C. THUROW

Professor of Management and Economics at the Alfred P. Sloan School of Management, Massachusetts Institute of Technology

Rule-Based Competition

RUDOLF SCHARPING

Professor Krugman has trained his sights on fellow economists and the political leaders they have influenced. To embrace skepticism and enlighten is the duty of a scientist, and Krugman does both. Politicians should not rely on explanations that give only one cause. In particular, theories that equate complex national economies with companies should be viewed with caution, especially if the emphasis on competition leads to a downgrading of social and environmental standards and coordinated economic policy.

It can be demonstrated that the level of prosperity of national economies depends to a large extent on the productivity and to a lesser extent on the international competitiveness of their companies. Because of its greater dependence on world markets, Germany is in a different situation than the United States. Germany's integration in the world economy has increased rapidly over the past decade. In addition, Germany is confronted with the singular problem of transforming the German Democratic Republic, a highly unproductive economy that was completely sealed off from international competition, into a productive

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market economy with open borders.

Nevertheless, Krugman suggests that even for a country as highly involved in foreign trade as Germany, the heavy burden of public debt, taxes and levies, and the thicket of regulations now pose a problem for investors and future productivity gains. Levies and regulations in Germany have reached such dimensions that they have a much greater impact than any adverse action by Japanese or American politicians.

In Germany as in any other country, those who follow the fashion of using international competitiveness to explain every economic problem risk making mistakes. The result is a waste of tax money or, worse, calls for closing borders. Even now, national economies are competing to cut taxes and offer industrial subsidies to increase investment and ease overheads, thus distorting market conditions. The result is rising public debt. At least this consequence has been the experience of the United States, which initiated the tax-cutting contest during the Reagan years.

Moreover, as a result of the global deregulation of the banking sector, an alarming trend has emerged. The money economy has taken on a life of its own. Government tax-cutting contests have produced a global market of tax evasion for financial assets. By comparison, investments in tangible fixed assets appear less profitable than making money directly with money, without taking the detour of producing goods. This shift in profit expectations is a major cause of increasing underemployment in many industrialized nations. It is a case of politically misdirected capital.

POLLUTING COMPETITION

In the contest for attracting or holding onto international companies, many governments are also cutting environmental regulations, which is detrimental to the future availability of natural factors of production. Of course, another result of this unfair competition is that the minimum social standards of the International Labour Organisation can be ignored with impunity.

The General Agreement on Tariffs and Trade had good reason to discuss environmental standards and free trade: to import goods from countries that are competitive only because they offer global resources free of charge has little to do with comparative cost advantages.

The ability of national economies to apply policy controls decreases with their interdependence with other economies. This becomes patently clear in fiscal policy when imports account for a high share of GNP. In these cases, it is questionable whether an expansive fiscal policy will stimulate domestic demand and generate additional tax revenues. Competing countries will delay their own stimulus until the former country has incurred the costs. The consequence of these waiting contests is clear: recessions in the world economy last longer than they would with a coordinated approach.

Since World War II, it has been common practice among the Western industrialized nations to avoid devaluation contests, and for good reason: such contests are harmful. They lead to beggar-thy-neighbor policies—extremely high public debt, consumption of resources and mass unemployment. Consequently,

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the public will no longer approve of an open world economy.

Competition requires rules; otherwise it will destroy itself. Competition without rules is unfair. For this reason, binding antitrust legislation has been adopted in the European Union. German politicians are in favor of strengthening the institutions of the European Union; and at least Germany's Social Democrats support the attempts made by European Commission President Jacques Delors to broaden the scope of fiscal and monetary policy for the highly integrated European economic area. Some conservative governments do not want to go beyond the creation of a single European market. Instead of coordinating economic policies multilaterally, they want the national economies to compete with one another in monetary and tax policies as well as in environmental and social standards. The potential winner of this competition is clear: internationally mobile capital. The likely loser is equally clear: the national economies. Krugman is right to warn that the exaggerated importance attached to competitiveness may lead to protectionism with all its prosperity-consuming evils.

There are many good reasons for promoting research and development, education and training, as well as technology at the national level to provide for future growth and employment at home. And one country can certainly learn from another how to increase productivity. However aggressive stances are not needed. If Krugman's article leads to a realization among political decision-makers that defining countries primarily as economic competitors is a mistake, it should result in greater international cooperation and policy coordination.

Rules are needed that do not completely preclude but nonetheless restrain unfair competition—among currencies, tax systems, industrial policy interventions as well as environmental and social standards. The world economic summits as well as informal meetings of the Group of Seven industrialized nations should regain the substance that they had in German Chancellor Helmut Schmidt's time. In view of the present global challenge, which all countries face in coping with structural change in a socially acceptable and ecologically sustainable manner, the industrialized nations must cooperate more closely, not only among themselves but with the developing countries.

RUDOLF SCHARPING
Chairman of the Social Democratic Party of Germany

Speaking Freely

STEPHEN S. COHEN

Paul Krugman contends that those who speak of competitiveness fail to understand three important points. First, nations are not like companies. No single number indicates their bottom line and the analogy does not apply. Second, he says that competitiveness is at best a meaningless concept. If it has any meaning whatever, it is "a poetic way of saying productivity." Productivity is the robust and unique measure of the performance of a national economy. Third, international trade is not a zero-sum game.

These are not stinging revelations but merely oft-repeated truisms. All his

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assertions are set out mundanely in The Report of the President's Commission on Competitiveness, written for the Reagan administration in 1984. The report provides what even Krugman acknowledges has become the standard definition:

> Competitiveness has different meanings for the firm and for the national economy .... A nation's competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously expanding the real incomes of its citizens. Competitiveness at the national level is based on superior productivity performance.

So all of Krugman's revelations are on page one of the basic text: no simple analogy equates a nation and a business, productivity lies at the center of competitiveness, and trade is not a zero-sum game; it can and should be free and fair.

What then, if anything, is Krugman flailing at? Nobody with whom Krugman should deign to take difference has ever said the silly things he pokes with his jousting spear. Lots of people vulgarize competitiveness, but that is true of just about every other idea in economics.

Krugman objects to President Clinton's likening of the U.S. economy to "a big corporation competing in the global marketplace." Presidential metaphors, which try to encapsulate complicated matters for purposes of political mobilization, have their own logic and history. Perhaps Clinton's simile is akin to Franklin D. Roosevelt's famous likening of the Lend-Lease Act to lending a neighbor a fire hose. Clinton was neither mendacious nor wrong. To remind Americans that in many ways they are all in this together is important, and in a sense the national economy can be likened to a huge corporation—not big in the rude, trivializing example Krugman uses, Pepsi versus Coke, but big in the Mitsubishi, Mitsui or Sumitomo sense. The six main *keiretsu*—massive structures of grouped companies—which for many purposes come very close to being the Japanese economy, produce about half the Japanese total output of transportation equipment, banking, insurance, oil, glass, cement and shipping. Over one-half of all intermediate products are produced and bought within the cozy network of the six main groups, not to mention the lesser vertical *keiretsu.*

Lots of people, not just politicians, use "competitiveness" as a metaphor and do so a bit freely. Scientists talk of national competitiveness in biology; educators, in math. Part of the problem is the need for a single substantive term for "competitive position." Part is a heightened awareness, all to the good, that the United States is no longer supreme, benchmarking is a first step toward serious improvement, and comparative measures—even of economic welfare—have important and legitimate meanings.

Krugman criticizes those who write about competitiveness for their tendency to "engage in what may perhaps most tactfully be described as 'careless arithmetic.'" Yet Krugman's own arithmetic is, to say the least, careless. He provides a table that purports to demonstrate arithmetically that value-added production correlates not with technology but with capital intensity. But relating capital intensity to value added by sector contains a concealed correlation because the same table also ranks sectors by degree of monopoly power. And

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nothing generates more value added than monopoly. Furthermore, Krugman omitted at least one sector: pharmaceuticals. This sector should be number three on his list, with value added almost twice as high as autos. But value added in pharmaceuticals is not explained by lots of capital per worker; instead the pharmaceutical industry has lots of research per worker along with lots of sales effort and monopoly concentration. And for a more sophisticated understanding, one should look beyond production to sales figures in the United States, which include competition from imports. In cigarettes, the number-one industry in value added and number-one in monopoly concentration, competition from imports is trivial. That is a major reason for the high value added in cigarette production. But that raises big questions, such as what determines productivity? What operationally can and cannot be done with simple productivity numbers?

Krugman warns that an obsession with competitiveness is dangerous and advises cathecting onto productivity. A near-exclusive focus on productivity, however, has some particular dangers and problems. Competitiveness puts productivity at the center of its concerns but not as an explanation. Instead competitiveness points out that overall productivity rates, which are very complex syntheses, are the things to explain, and that economics does not know how to do that.

BEGGAR-THY-QUESTION

Krugman unwittingly illustrates the problem of relying on a single number for overall production rates when he provides an alternative to a competitiveness approach. To say that 91 percent of the slowdown in the growth of per capita GNP "was explained by a decline in domestic productivity growth" does not explain the decline but rephrases it. To say that GNP grew slowly because the growth in output per hour grew slowly is simply to push aside the real question: What caused the decline? Krugman's numerical exercise does not even adequately fulfill the smaller role he assigns to it—to show that foreign competition played a trivial part in lowering the rate of growth of national welfare. This failure occurs because Krugman counts only the prices and quantities of imports, not their impact on profits, investment, jobs and wages. The typical case outlining the advantages of trade to the U.S. economy always focuses on these elements because they are much bigger than the simple, first-round effects of the prices and quantities of imports, which, with a modicum of craftsmanship, can be manipulated to demonstrate whatever one wishes. Similar problems of logic and data flaw the calculations that yield Krugman's most sweeping single-number assertion—that the U.S. trade deficit in manufactured goods has only a very small impact on wages, a reduction at most of only 0.3 percent. The problem, again, is not just with the single number but with the static approach Krugman adopts. Only a dynamic understanding and methodology can appreciate those impacts because that is how they proceed, iteratively, with real and consequential feedback. Finally, national productivity data have several smaller, technical difficulties that radically reduce the reliability of the numbers. It is impossible to get reliable productivity numbers for the core

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sectors of the service economy, for example—well over a third of GNP. And operationally, market and institutional structures lead economists to assign low productivity growth rates to industries such as semiconductors although engineers know that productivity has grown at fabulous rates.

The clean simplicity and apparent analytic power of the simple, one-number approach, though it fits snugly with the models and methods of traditional American economics, has given rise to efforts to define a different organizing concept—competitiveness—in order to open a broader, more open-minded and modest approach. The competitiveness approach poses a sensible question: How are we doing as an economy? No single number sums it all up, especially given the follow-up: How are we doing compared to the other guys? And why? Competitiveness is a reconsideration of a broad set of indicators, none of which tells the whole story but that together provide a highly legitimate focus.

STEPHEN S. COHEN

Professor and Co-Director of the Berkeley Roundtable on the International Economy, University of California, Berkeley. An expanded version of this response will be published by BRIE in July 1994.

Careless Arithmetic

BENN STEIL

Paul Krugman has done everyone a service in warning against the dangers of making policy on the basis of facile analogies, such as those between countries and corporations. Yet while he justifiably accuses others of "careless arithmetic" in making their case, he shows little concern with immunizing himself from the charge. With regard to European labor costs, he cites Sam Brittan (*Financial Times,* June 1, 1993) in asserting that they "have not risen in relative terms when the exchange rate adjustment is made." Thus he concludes that European firms have not suffered a decline in competitiveness, as British Prime Minister John Major had claimed. In fact, Brittan's statistics show that between 1987 and 1993 European Community unit labor costs in manufacturing rose approximately 19 percent as compared with only 5 percent in the United States, both before and after the exchange rate adjustment. How Krugman could have missed this point, as he put it, "cries out for an explanation."

BENN STEIL

Senior Research Fellow for the International Economics Programme, The Royal Institute of International Affairs

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Proving My Point

Paul Krugman

My article in the March/April issue of *Foreign Affairs* has obviously upset many people. Some of my critics claim that I misrepresented their position, that despite their insistent use of the word "competitiveness" they have never believed that the major industrial nations are engaged in a competitive economic struggle. Others claim that I have gotten the economics wrong: that countries *are* engaged in a competitive struggle. Indeed, some of them make both claims in the same response.

MOVING TARGET

Lester C. Thurow vigorously denies ever asserting that international competition is a central issue for the U.S. economy. In particular, he cites page counts from his 1985 book, *The Zero-Sum Solution,* to demonstrate that domestic factors are his principal concern. But Thurow's most recent book is *Head to Head,* which follows its provocative title with the subtitle, *The Coming Battle Among Japan, Europe and America.* The book jacket asserts that the "decisive war of the century has begun." The text asserts over and over that the major economic powers are now engaged in "win-lose" competition for world markets, a competition that has taken the place of the military competition between East and West. Thurow now says that international strategic competition is no more than seven percent of the problem; did the typical reader of *Head to Head* get this message?

Similarly, Stephen S. Cohen denies that he, or indeed anyone else with whom I should "deign to take difference," has ever said the things I claim competitiveness advocates believe. But in 1987 Cohen, together with John Zysman, published *Manufacturing Matters,* a book that seemed to say two (untrue) things: the long-term downward trend in the share of manufacturing in U.S. employment is largely due to foreign competition, and this declining share is a major economic problem.

After their initial denial, both Cohen and Thurow proceed to argue that international competition is of crucial importance after all. In this they are joined by

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Clyde V. Prestowitz, Jr., who at least makes no bones about believing that trade and trade policy are the central issue for the U.S. economy. Does Cohen believe that Prestowitz—or James Fallows, who expressed similar views in his new book, *Looking at the Sun*—is one of those people with whom I should not deign to argue?

SLOPPY MATH: PART II

Of all the elements in my article, the section on careless arithmetic—the strange pattern of errors in reporting or using data in articles and books on competitiveness—has enraged the most people. Both Thurow and Prestowitz have taken care to fill their responses with a blizzard of numbers and calculations. However, some of the numbers are puzzling.

For example, Thurow says that imports are 14 percent of U.S. GDP, while exports are only 10 percent, and that reducing imports to equal exports would add $250 billion to the sales of U.S. manufacturers. But according to *Economic Indicators,* the monthly statistical publication of the Joint Economic Committee, U.S. imports in 1993 were only 11.4 percent of GDP, while exports were 10.4 percent. Even the current account deficit, a broader measure that includes some additional debit items, was only $109 billion. If the United States were to cut imports by $250 billion, far from merely balancing its trade as Thurow asserts, the United States would run a current account *surplus* of $140 billion—that is, more than the 2 percent maximum of GDP U.S. negotiators have demanded Japan set as a target!

Or consider Prestowitz, who derides my claim that high-technology industries, commonly described as "high value" sectors, actually have much lower value added per worker than traditional "high volume," heavy industrial sectors. I have aggregated too much by looking at broad sectors like electronics, he says; I should look at the highest-tech lines of business, like semiconductors, where value added per worker is $234,000. Prestowitz should report the results of his research to the Department of Commerce, whose staff has obviously incorrectly calculated (in the *Annual Survey of Manufactures*) that in 1989 value added per worker in Standard Industrial Classification 3674 (semiconductors and related devices) was $96,487—closer to the $76,709 per worker in SIC 2096 (potato chips and related snacks) than to the $187,569 in SIC 3711 (motor vehicles and car bodies).[1]

Everyone makes mistakes, although it is surprising when men who are supposed to be experts on international competition do not have even a rough idea of the size of the U.S. trade deficit or know how to look up a standard industrial statistic. The interesting point, however, is that the mistakes made by Thurow, Prestowitz and other competitiveness advocates are not random errors; they are always biased in the same direction. That is, the advocates always err in a direction that makes

[1] I don't know why Thurow thinks the U.S. trade deficit is four times as big as it actually is. I have, however, tracked down Prestowitz's number. It is not value added per employee; it is shipments (which are always larger than value added) divided by the number of production workers (who are only a fraction of total employment, especially in high-technology industries).

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international competition seem more important than it really is.

Beyond these petty, if revealing, errors of fact are a series of conceptual misunderstandings. For example, Prestowitz argues that productivity in sectors that compete on world markets is much more important than productivity in non-traded service sectors because the former determine wage rates throughout the economy. For example, because U.S. manufacturing workers are much more productive than their Third World counterparts, U.S. barbers, who do not have a comparable productivity advantage, also get high wages. But Prestowitz fails to notice that the converse is also true: service productivity affects the real wages of manufacturing workers. Because the high relative productivity of U.S. manufacturing is not matched in the haircut sector, haircuts by those well-paid barbers are much more expensive than haircuts in the Third World; as a result real wages of U.S. manufacturing workers (that is, wages in terms of what they can buy, including haircuts) are not as high as they would be if U.S. barbers were more productive. With careful thought, one realizes that real wages depend on the overall productivity of the economy, with no special presumption that productivity in manufacturing—or in internationally traded sectors in general—deserves any more attention or active promotion than productivity elsewhere.

THE BETTMANN ARCHIVE

Friedrich List, the new cult figure

Cohen makes essentially the same mistake when he complains that I underestimated the effects of competitive pressure because I focused only on import and export prices and did not consider the further impacts of that pressure on profits and wages. He somehow fails to realize that a change in wages or profits that is not reflected in import or export prices cannot change overall U.S. real income—it can only redistribute profits to one group within the United States at the expense of another. That is why the effect of international price competition on U.S. real income can be measured by the change in the ratio of export to import prices—full stop. And the effects of changes in this ratio on the U.S. economy have, as I showed in my article, been small.

Or consider Thurow's analysis of the benefits that would accrue to the United States if it could roll back imports (leaving aside the inaccuracy of his numbers). He asserts that the United States could create five million new jobs in import-competing sectors, and he assumes that all five million jobs represent a net addi-

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tion to employment. But this assumption is unrealistic. As this reply was being written, the Federal Reserve was raising interest rates in an effort to rein in a recovery that it feared would proceed too far, that is, lead to excessive employment, producing a renewed surge in inflation. Some people think that the Fed is tightening too soon, but the essential point is that the growth of employment is not determined by the ability of the United States to sell goods on world markets or to compete with imports, but by the Fed's judgement of what will not set off inflation. So suppose that the United States were to impose import quotas, adding millions of jobs in import-competing sectors. The Fed would respond by raising interest rates to prevent an overheated economy, and most if not all of the job gains would be matched by job losses elsewhere.

THINGS ADD UP

In each of these cases, my critics seem to have forgotten the most basic principle of economics: things add up. Higher employment in import-competing industries must come either through a reduction in unemployment, in which case one must ask whether the implied unemployment rate (about three percent in Thurow's example) is feasible, or at the expense of jobs elsewhere in the economy, in which case no overall job gain takes place. If higher manufacturing wages lead to a higher wage rate for barbers without higher tonsorial productivity, the gain must come at someone else's expense. Since it is hard to see how foreigners pay for more expensive American haircuts, that wage gain can only redistribute the benefits of manufacturing productivity from one set of American workers to another, not increase the total gains. In their haste to assign great importance to international competition, my critics, like the inventors of perpetual motion machines, have failed to realize that there are conservation principles that any story about the economy must honor.

But perhaps Cohen, Thurow and Prestowitz stumble on economic basics because they are so eager to get to their main point, which is that advanced economic theory, and in particular the theory of strategic trade policy, supports their obsession with competitiveness.

Prestowitz's central assertion is that the theory of strategic trade policy, which he for some reason thinks I invented in a paper about aircraft competition (the actual inventors were James Brander and Barbara Spencer, who never mentioned aircraft), justifies aggressively interventionist trade policies. He further asserts that economists in general, and I in particular, have run away from that implication for ideological reasons.

Well, that's not quite the real story. It is true that in the early 1980s professional economists became aware that one of the implications of new theories of international trade was a possible role for strategic policies to promote exports in certain industries. Confronted with a new idea that was exciting, potentially important but untested, these economists began a sustained process of research, probing the weak points, confronting the new idea with the data. After all, lots of things could be true in principle. For example in certain theoretical situations a tax cut could definitely stimulate the

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economy so much that government revenues would actually rise, and it would be very nice if that were the actual situation; but unfortunately it isn't. Similarly, it is definitely possible to imagine a situation in which, because of all of the market imperfections Thurow dwells on, a clever strategic trade policy would sharply raise U.S. real income. And it would be very nice if the United States could devise such a policy. But is that possibility really there? To answer that question requires looking hard at the facts.

And so over the course of the last ten years a massive international research program has explored the prospects for strategic trade policy.[2] Two broad conclusions emerge. First, to identify which industries should receive strategic promotion or the appropriate form and level of promotion is very difficult. Second, the payoffs of even a successful strategic trade policy are likely to be very modest—certainly far less even than Thurow's "seven percent solution," which is closer to the entire share of international trade in the U.S. economy.

Research results are always open to challenge, especially in an inexact field like economics. If Prestowitz wants to point out specific failings in the dozens of painstaking empirical studies of strategic trade that have been carried out over the past decade, by all means let him do so. His remarks about the subject, however, strongly suggest that while he is happy to mention strategic trade theory in support of his policy writing, Prestowitz has not read any of the economic literature.

I do, however, agree with Prestowitz on one point. More people should read the works of Friedrich List. If they do, they may wonder why this turgid, confused writer—whose theory led him to predict that Holland and Denmark would be condemned to permanent economic backwardness unless they sought political union with Germany—has suddenly become a favorite of Fallows, Prestowitz and others. The new cult of List bears an uncanny resemblance to the right-wing supply-siders' canonization of the classical French economist Jean-Baptiste Say, who claimed that the economy as a whole could never suffer from the falls in aggregate demand that produce recessions.[3] The motive of the supply-siders was, of course, to cover simplistic ideas with a veneer of faux scholarship.

In contrast to Prestowitz and Thurow, who offer coherent if flawed reasons to worry about international competition,

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[2] The original paper on strategic trade policy was James Brander and Barbara Spencer, "Export Subsidies and International Market Share Rivalry," *Journal of International Economics,* February 1985, pp. 83-100. See also Paul Krugman, ed., *Strategic Trade Policy and the New International Economics,* Cambridge: MIT Press, 1986; Robert Feenstra, ed., *Empirical Methods for International Trade,* Chicago: University of Chicago Press, 1988; Robert Baldwin, ed., *Trade Policy Issues and Empirical Analysis,* Chicago: University of Chicago Press, 1988; and Paul Krugman and Alasdair Smith, eds., *Empirical Studies of Strategic Trade Policy,* Chicago: University of Chicago Press, 1994.

[3] Fallows officially elevated List to guru status in his article "How the World Works," *The Atlantic Monthly,* December 1993, pp. 60-87. Readers may wish to compare the elevation of Say by Jude Wanniski in his influential supply-side tract, *The Way the World Works,* New York: Basic Books, 1978.

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Cohen offers a more difficult target. Basically, he asks us to accept "competitiveness" as a kind of ineffable essence that cannot be either defined or measured. Data that seem to suggest the importance of this essence are cited as "indicators," whatever that means, while those that do not are dismissed as unreliable. Both in his article and other writings he has persistently used a rhetoric that seems to portray international trade as a game with winners and losers, but when challenged on any particular point he denies having said it. I guess I don't understand how a concept so elusive can be a useful guide to policy.

My original article in *Foreign Affairs* argued that a doctrine that views world trade as a competitive struggle has become widely accepted, that this view is wrong but that there is nonetheless an intense desire to believe in that doctrine. The article enraged many, especially when it asserted that the desire to believe in competitive struggle repeatedly leads highly intelligent authors into surprising lapses in their handling of concepts and data. I could not, however, have asked for a better demonstration of my point than the responses published in this issue.

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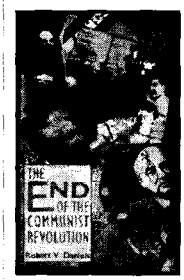

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